

UK Immigration Policy After Leaving the EU

Impacts on Scotland's Economy, Population and Society

Expert Advisory Group on Migration and Population

Contents

Executive Summary	3
1. Introduction	10
2. Migration to Scotland	15
3. Labour market effects	33
4. Fiscal effects	47
5. Demographic effects	54
6. Local Communities	80
 Annex A NRS 2016-based population projections	 95
Annex B Abbreviations	98
 References	 99

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Executive Summary

Background to the report

The UK's departure from the EU will usher in important changes to immigration policy. The UK Government's proposals on immigration are set out in the December 2018 White Paper on *The UK's Future Skills-Based Immigration System*, which draws on prior recommendations from the Migration Advisory Committee (MAC). These proposals suggest that from January 2021, EU nationals will be subject to UK immigration rules. The proposals also suggest changes to the current points based system, notably:

- an expansion of the Tier 2 route for skilled workers, through abolishing the annual cap and lowering the skills threshold, as well as simplifying procedures for employers; and
- piloting a seasonal agricultural workers' programme, and introducing a transitional temporary workers route covering all skills levels.

The proposals are intended to reduce overall net migration to the UK, while expanding opportunities for skilled migrants.

This report examines how these changes are likely to affect migration to Scotland; and how changes in immigration may in turn affect areas of devolved responsibility in Scotland, including economic growth, public services, and the sustainability of communities. The report focuses on four broad dimensions of change: the labour market, fiscal impacts, demographic trends, and social effects on local communities.

Migration to Scotland

Migration from EU countries has accounted for a significant portion of overseas immigration over the past decade. Most EU nationals come to Scotland to work and have higher employment rates than UK nationals, and are on average younger than the UK population. EU nationals work in a range of sectors, and comprise a substantial share of Scotland's employment in sectors such as accommodation and food services, manufacturing, and administrative and support services.

EU migration since the 2000s has been widely distributed across all areas of Scotland. While cities enjoy a higher share of immigration, rural and remote areas have also seen a substantial rise in immigration. This has been enabled by the free movement framework, which allows flexible patterns of movement and employment for EU nationals. The absence of a skills threshold has also meant that EU migrants have filled lower-skilled jobs in areas such as agriculture, tourism, manufacturing, health and social care, across Scotland.

The UK's withdrawal from free movement would restrict EU immigration to the points based system, with most labour migration channelled through Tier 2.

Drawing on a range of data and taking into account the White Paper analysis, we develop two scenarios for future migration flows.

Scenario 1

80% reduction in EU net migration

Scenario 2

50% reduction in EU net migration

The first scenario builds on the analysis of the White Paper, while the second takes into account inflows of dependents, family migration, and also factors in an expected increase in non-EU nationals because of changes to Tier 2.

Based on these scenarios, we project that the proposed changes could lead to a reduction in annual overseas net migration to Scotland of between one third and one half after 2020. This would imply a reduction in annual net migration from around +13,000 (the average net migration over the past five years) to a range between +6,600 and +9,000. However, as with all migration projections, we note that these are approximations.

Key to understanding the effects of this change is how reduced migration flows are distributed – both across sectors, and across different areas of Scotland. Understanding these differentiated effects is the focus of the next sections of the report.

Labour market effects

In order to understand the effects of Tier 2 provisions on EU migration, we analyse the distribution of incomes across Scotland, including for different employment groups, by age and gender, and for local areas.

Overall, 63% of workers in Scotland earn less than the proposed £30,000 salary threshold for Tier 2. This would be 58% if the salary threshold were reduced to £27,500, and 53% in the case of a £25,000 threshold. In occupations such as textiles, social care, leisure and travel, sales, and elementary occupations, almost no jobs would qualify for a £30,000 threshold.

One example of a severely affected sector is social care, where less than 10% of those in caring personal service occupations in Scotland earn above £25,000, and none earn £30,000. The budgetary pressures faced by local authorities, the main purchaser of social care services, mean that there is little prospect of raising salaries in social care to a level that would attract greater numbers of UK workers. Therefore, the proposed changes will exacerbate existing labour shortages in many areas. The brunt of these shortages is likely to be borne by friends and family who will have to assume responsibility for care, and especially female family members.

Looking at the effects by age and gender, we found that only 25% of those aged 22-29 meet the £30,000 threshold, rising to between 43% and 45% for those in their 30s and 40s. A far lower proportion of female employees meet the £30,000 threshold. Indeed, in many of the occupations dominated by female employees, salaries do not even meet a lower £25,000 threshold, implying that the proposed Tier 2 arrangements could create a gender disparity in the supply of future migrants.

If we look at the regional distribution of salaries across Scotland, we see a wide variation in the proportion of jobs that meet the £30,000 threshold, ranging from 49.5% in East Renfrewshire to just 16% in Na h-Eileanan Siar. This implies that very few migrants would be able to move to those areas to work under Tier 2. This would limit labour migration in areas of Scotland that already experience low levels of productivity and face challenges of depopulation. Relaxing the income threshold would substantially increase the range of jobs available to migrants.

Our analysis also shows that EU employees work longer hours than their UK-born equivalents – on average 5% more. This implies that maintaining current levels of output would require more than a one-to-one replacement of EU workers with UK-born employees.

Fiscal effects

The fiscal effects of EU migrants on the Scottish economy are similar to the effects on the UK economy as a whole. The UK evidence suggests that EU migrants typically contribute more through tax revenues than they consume by way of public services. This conclusion largely holds for EU migrants to Scotland, though their average earnings are slightly lower than the average for EU workers in the UK as a whole, and therefore they contribute slightly less to tax revenues.

As in the rest of the UK, EU migrants to Scotland are typically young and economically active, and people of their age group tend to consume a relatively small amount of public services because they are not usually receiving welfare benefits, nor are they heavy users of health and social care services. However, if they have children, they are likely to consume publicly provided education services. If they remain in Scotland, EU migrants may eventually consume health and social care services. But the lifetime balance of their contribution to tax revenues and use of public spending will tend to be favourable, other things being equal, because the costs of their early upbringing and education have been met by another state.

EU migration also affects the allocation of fiscal risk between the Scottish and UK Governments. Following the Scotland Act 2016, the Scottish Government is responsible for income tax and a share of VAT revenues raised within Scotland as well as a number of welfare benefits. It also pays for, or contributes towards, services such as health, education and local government. Changes in EU migration will have differential effects on tax revenue collected, and on public spending, by the respective governments.

While Scotland is responsible for providing migrants with many public services, it may only appropriate a portion of the tax revenue paid by migrants. It is therefore important to understand the distribution of revenue and expenditure associated with migration across different levels of government. This implies the need for a more nuanced analysis of the spatial distribution of the fiscal benefits of immigration.

Population effects

Immigration to Scotland has been the major driver of population change since the early 2000s. After a prolonged period of population decline, Scotland's population grew from 5.07 million to 5.42 million between 2000-2017. This was largely driven by migration rather than natural change, which has been negative since 2015. If migration stays at its current level, Scotland's population is projected to increase by 8% over the next 25 years. With reduced migration from the EU, it would increase by between 5%-6%. Migration can also help reduce the speed of population ageing, though its impact is relatively small. The proportion of people aged 65 and older in Scotland is expected to rise from 29 per 100 over the next 25 years to between 41 and 46 per hundred, across all migration scenarios. Scotland is projected to experience more pronounced population ageing than other parts of the UK.

While immigration will not significantly reduce the speed of population ageing in Scotland, it will have a considerable effect on the absolute size and age composition of the working age population. At current immigration rates, the working age population is expected to remain stable over the next 25 years, whereas with reduced migration from the EU, it is projected to decline by between 3% and 5%. Reduced EU migration would lead to a gradually declining and rapidly ageing working age population. This is in contrast to the UK as a whole, where the working age population would still grow with reduced international migration. While the provision of health care for a rapidly growing elderly population will be a UK-wide challenge in coming decades, population ageing in tandem with a declining working age population will exacerbate the challenge of managing the consequences of an ageing society in Scotland.

Importantly, the impact of demographic processes is not spread evenly across different areas of Scotland. Between 2007-2017, urban and mixed urban/rural areas benefited from positive natural change (that is, more births than deaths) and substantial immigration, mostly from the rest of the UK but also from overseas. Areas that are mainly rural saw only small natural increase, but this was more than compensated by in-migration. Remote rural and island areas, by contrast, experienced negative natural change, which was not balanced by in-migration. The demographic challenges for these areas will therefore be exacerbated by the proposed changes to EU migration.

Overseas migration is especially conducive to future demographic stability because of its relatively young age structure. However, in rural and remote areas a much smaller share of in-migrants come from overseas than is the case in urban areas. In 2017 just 8% of in-migrants to rural areas were from outside the UK, compared to 28% for cities. Moreover, rural areas are far less likely to have jobs that meet the Tier 2 salary threshold recommended by the MAC. As a consequence, the changes proposed in the White Paper would largely eliminate opportunities for encouraging the longer-term stay and settlement of non-UK nationals in rural Scotland.

It is important to recognise that, for remoter rural areas and islands, attracting working-age migrants (including from EU countries) is the only realistic option to avert a downward demographic spiral driven by the age structure legacy of selective out-migration during the last decades of the twentieth century. Under the proposed changes to migration policy these areas of Scotland seem to be facing a 'demographic double whammy', which is likely to have far-reaching implications for economic activity, the provision of services, and levels of general well-being.

Local communities

Free movement has enabled EU migrants to live and work across Scotland including in rural and remote areas, including through routes that begin elsewhere in the UK. The flexibility of free movement has facilitated the emergence of migrant networks, as family and friends move to join previous migrants, and such networks facilitate integration and settlement. At the same time, access to social security and public services has enabled EU migrants to sustain often low-paid and precarious jobs.

Local authorities in Scotland, as well as employers and third sector organisations, have actively supported the recruitment and settlement of EU migrants. Many areas have invested in infrastructure to support language learning and have developed tailored support services. Local authorities have also played an active role in recruiting and retaining EU staff working in public services such as teaching and social care. In some areas facing population decline, EU nationals have made an important contribution to sustaining such services, in turn helping to retain existing populations in these areas, both UK and foreign-born.

The experiences of EU nationals have not been universally positive, and in many cases those in lower-paid and lower-skilled jobs may experience more limited prospects for social mobility. EU migrants have also faced similar challenges to previous waves of immigration, in many cases suffering from social isolation, long working hours, and concentration in more deprived neighbourhoods. Many who moved to rural areas have cited a more welcoming attitude, and have benefited from the efforts of local authorities and other groups to provide support and encourage their longer-term integration.

The proposals to end free movement and restrict immigration to Tier 2 and temporary routes would seriously disrupt current patterns of mobility and settlement across Scotland. As we saw, there are very few jobs available in rural and remote areas that would meet the £30,000 salary threshold, and many jobs would not meet a lower £25,000 threshold. The proposed seasonal agricultural workers programme and transitional temporary scheme would involve short-term stays of single migrants, without access to public funds and with no pathway to settlement and integration. This would prohibit the retention of staff in many local areas, with serious consequences for the sustainability of local services.

The proposals also imply a diversification of migrants in terms of countries of origin. This is not a problem in itself, and could make a positive contribution to local communities. However, the presence of migrants from a wider range of countries, alongside changes to existing patterns of migration with regard to length of stays, gender, age and family profiles, would require existing services to adapt in order to support newer groups and their social integration. Smaller communities will also lack existing migrant networks in local areas, implying less informal support for integration. The potential consequences for local support services require further analysis.

Key points

- The changes set out in the White Paper are projected to reduce net migration to Scotland by between 30% and 50% over the coming two decades.
- Under this reduced migration scenario, Scotland would continue to grow its population, but at a lower rate compared to current levels of migration. Lower levels of immigration from the EU countries would not significantly reduce the speed of population ageing in Scotland, but they would lead to a gradual decline and ageing of the working age population.
- An expanded and simplified Tier 2 would widen the route for skilled non-EU workers, and could sustain at least a portion of EU immigration flows from those meeting the skills and salary criteria.
- However, the overall reduction in EU immigration would be especially challenging for those sectors most reliant on lower-paid, non-UK workers, including occupations such as textiles, social care, leisure and travel, sales and elementary occupations. Many of these sectors would be unable to adjust by increased investment in skills or capital and as a result may need to change their business model.
- Restricted routes for EU immigration would also be particularly disruptive for rural and remote areas of Scotland, where the old age structure means that in-migration is the only means of countering depopulation. The prevalence of lower-paid jobs in these areas implies it would not be feasible to recruit workers under Tier 2.
- The seasonal and temporary programmes proposed in the White Paper would prohibit the longer-term settlement of immigrants working in key sectors, which would again be most acutely felt in rural and remote communities where such jobs are particularly important.
- The proposals will significantly change the patterns of migration Scotland has seen over the last 10-15 years. A proliferation of smaller groups of migrants from a wider range of countries, a predominance of shorter stays, changes to gender, age and family profiles, will require planning and investment for successful social integration.
- The proposals are likely to have a pronounced gender effect, with proportionally fewer women able to meet the salary threshold, especially in rural areas and areas of disadvantage.
- Non-migrant women would also be especially affected by labour shortages in social care, as female family members would be most likely to bear the burden of gaps in care provision.

1

Introduction

1. Introduction

1.1 Purpose and scope of the report

In October 2018 the Scottish Government established an Expert Advisory Group on Migration and Population, to provide analysis and advice on aspects of immigration to Scotland. The first commission to the Expert Advisory Group was issued on 25 October, with a remit to:

- review the policy recommendations made by the Migration Advisory Committee (MAC) in their report on *EEA Migration in the UK*,¹ in order to identify the potential effects of those recommendations on immigration to Scotland; and
- consider and advise on how such changes to immigration might potentially affect areas of devolved competence in Scotland.

Subsequent to this, in December 2018 the UK Government published a White Paper, *The UK's Future Skills-Based Immigration System*, which further elaborates proposals for UK labour migration policy after the UK leaves the European Union (EU). This report will therefore consider both the MAC recommendations and the proposals set out in the White Paper, exploring their potential consequences for immigration to Scotland and for areas of devolved competence.

Immigration policy is a reserved competence, with legislation on the entry, residence and employment rights of non-UK nationals adopted at UK level. For this reason, the report will not produce recommendations on immigration policy. However, immigration to Scotland does have a number of important effects on areas of devolved responsibility. These include a range of public services that may be affected by immigration such as education and training, health and social services, housing, and many aspects of welfare, as well as tax-raising and social security powers established in the 2016 Scotland Act. The Scottish Government is also committed to promoting sustainable growth in the Scottish economy, as set out in Scotland's economic strategy; and the sustainability and well-being of communities. It is therefore important to analyse how the proposed changes to immigration will affect the ability of the Scottish Government to deliver public services and achieve these broader economic and social goals.

The Expert Advisory Group decided that the best way to analyse the effects of immigration policy on these areas was to focus on four broad dimensions of change, which would in turn have knock-on effects for these areas of devolved powers. These are:

- *Labour market.* The supply of labour across different sectors of the economy and in different areas of Scotland has important effects on wages and employment, productivity and growth, as well as the availability of goods and services.

- *Population.* Immigration inflows and outflows have a direct effect on population growth, and on the age composition of the population. These dynamics affect all areas of devolved competence, including the provision of and demand for public services, economic growth, and the sustainability of communities.
- *Fiscal impacts.* The scale and composition of immigration has an impact on the public finances through the collection of taxes and national insurance, and the provision of public services to immigrants.
- *Local communities.* Immigration flows, and how they are distributed across different areas, can have significant effects on local communities in terms of their well-being and sustainability, for example through affecting the viability of local industries and public services.

Our analysis takes on board many elements of the MAC's report on *EEA Migration in the UK*. This report offered rigorous analysis of the labour market, fiscal and social impacts of immigration in the UK, confirming and further building on previous findings about the broadly positive economic effects of immigration. However, as a UK-wide report, the MAC did not foreground the particular economic, demographic and social challenges faced by Scotland and other parts of the UK. Moreover, given the focus on UK-wide data it did not analyse in detail the impacts of the proposed changes for particular sectors, or for different types of communities, which range from urban to rural and remote. This report therefore helps fill this gap, identifying some of the variegated impacts of the proposed changes for particular sectors and local areas.

The current report responds to the Scottish Government's need for a swift assessment of the MAC and UK Government proposals. It was prepared by a group of five experts based in universities and research centres in Scotland. This necessarily limited the scope of the analysis, and in the report we suggest a number of areas that would benefit from more in-depth analysis.

1.2 The recommendations

The White Paper proposes a single UK immigration system for EU and non-EU nationals which prioritises higher-skilled immigration.

- *Free movement of workers* will end once the UK leaves the EU, and EU nationals will be subject to UK immigration rules.
- *Tier 2* of the points based system (skilled migrants) will be expanded through:
 - removing the cap on numbers admitted through Tier 2;
 - removing the resident labour market test (though retaining the Immigration Skills Charge paid by employers);
 - simplifying sponsorship for employers;
 - allowing nationals of 'lowest risk countries' to apply for a work visa while in the UK;

- reducing the skills threshold for Tier 2 from RQF6+ to RQF3+ (A-levels, Highers or equivalent);
 - retaining a salary threshold (the MAC recommended a level of £30,000, but the White Paper proposes consultation to determine the precise level); and
 - retaining a separate Shortage Occupation List (SOL) for Scotland, and considering similar lists for Northern Ireland and Wales, potentially allowing a lower salary threshold for certain occupations facing acute shortages with a skills level of RQF3 or above.
- There will be no route specifically for *low-skilled workers*, but there is a recognition that some employers will find it difficult to adapt immediately to this change. As a transitional measure, the government will introduce a route for temporary workers, which will feature:
 - a maximum stay of 12 months in the UK, followed by a 12-month 'cooling off' period;
 - workers may move between employers, with no employer sponsorship required;
 - no access to public funds or rights to extend stay, switch to other routes, or bring dependents;
 - the route is only open to specified countries such as 'low risk' countries;
 - visa fees for workers will be increased incrementally each year to reduce reliance on migrant labour; and
 - the possibility of a cap on the route, or early closure, depending on the level of flows and the economic situation, ahead of review in 2025.
 - There will be a specific sectoral programme for *seasonal agricultural workers* open to non-EU nationals, which will be piloted from March 2019. The government accepts the MAC's recommendation that employers should be required to pay an 'upwardly revised national minimum wage'.
 - The government accepts the MAC's recommendations for moderate changes to *post-study work*, including:
 - extending post-study leave for graduates to six months, during which they can find skilled work (under Tier 2), and may work temporarily;
 - extending post-study leave for PhD graduates to 12 months; and
 - allowing students to switch into Tier 2 three months before the end of their course and from outside the UK up to two years after graduation.

The White Paper suggests that the changes to Tier 2 in particular represent 'a very significant change... ensuring that there are no limits on the volumes of skilled migrants.' This is intended to align with the UK's industrial strategy, which aims for 'a highly skilled, innovative and highly productive workforce.'

1.3 Methods

In order to analyse the potential impact of the changes, the report maps different scenarios of future migration flows to Scotland, and considers the effects of such scenarios on the labour market, tax revenues and public expenditure, population trends, and on local communities in different areas of Scotland. The first scenario is based on the projection set out in the White Paper, which estimates an 80% reduction in EU immigration for the purpose of work. Based on this figure, we set out a scenario of an 80% reduction in net migration from and to EU countries after 2020. The second scenario is based on our own calculations of the potential impacts of the proposals, and assumes a 50% reduction in net migration of EU nationals after 2020. Both of these projections start from a baseline of overseas in-flows and out-flows averaged over the past five years.

It is important to note that this is different from the principal projection by the Office for National Statistics (ONS) and the National Records of Scotland (NRS), which is based on averaged flows over the past 25 years. This is because in our projections, we are interested in the effect of reduced migration from the EU on the size and structure of Scotland's population. In order to measure the effect of reduced EU immigration, our principal variant assumes that current migration streams (the average in- and out-migration over the last five years) will continue in the future.

These projections are inevitably very approximate, given uncertainty over the future drivers of migration. Analysis of previous migration flows is also hampered by the unavailability of robust data. Flows data are based on the Long-Term International Migration figures, drawn from the International Passenger Survey (IPS). As documented elsewhere, IPS data is unreliable, given the small sample size and reliance on respondents' stated reasons for migration and their future plans. This inhibits in-depth analysis of migration trends and patterns.

Flows data are complemented with data on the population of immigrants in Scotland and the UK, drawn from a range of survey and administrative data from both ONS and NRS, including the Labour Force Survey (LFS), the Annual Population Survey (APS), and Annual Population Estimates, the 2011 Census, and the Annual Survey of Hours and Earnings. To complement these Scotland or UK-level data, we also draw on administrative data such as National Insurance (NINO) registrations.

These data allow some analysis of the local impacts of immigration, and thus allow us to explore the potential implications of the changes. However, even data on local areas cannot capture the range of impacts on local communities. We therefore complement the statistical data with qualitative data on particular sectors, and on specific communities in Scotland.² This allows us to illustrate the potential effects of the changes on local communities, including in remote areas of Scotland. It also allows us to capture the effects of different patterns of movement, including a comparison of the effects of longer-term settlement and integration, versus shorter-term mobility.

The next chapter summarises recent trends in overseas migration to Scotland, and suggests how policy changes after leaving the EU might affect current patterns of migration and settlement. The subsequent chapters all deal with a distinct dimension of change, examining the labour market, fiscal, demographic and social effects of the projected changes. The effects outlined in these chapters are in many ways interdependent. Changes to the demand and supply of labour will clearly affect inflows, and the scale and composition of flows in turn affect the fiscal impact of migration, the size and age composition of the population, the spatial distribution of immigrants, and the characteristics and settlement decisions of immigrants. All of these features in turn have an impact on the well-being of local communities across Scotland. While it is therefore difficult to disentangle these interactions, we nonetheless decided to deal with these dimensions in separate chapters, reflecting the different methodologies used to analyse the effects.

Finally, it is important to clarify terminology used in the paper. For simplicity, we use the terms 'EU migration,' 'EU citizens' and 'EU nationals' throughout this report, which also refers to EEA countries (Iceland, Lichtenstein, and Norway) and Switzerland. This follows the terminology used in the White Paper. While we acknowledge that some data also includes non-EU EEA nationals, the numbers involved are very small.

We also distinguish between different sub-groups of EU nationals, notably:

- EU-8 nationals (citizens of eight of the countries that acceded to the EU in 2004: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia);
- EU-2 nationals (citizens of Bulgaria and Romania, which acceded in 2007, and whose citizens were granted full access to the UK labour market in 2014);
- EU-10 nationals (counting the EU-8 and EU-2 together); and
- EU-15 nationals (the 'old' member states who were members prior to 2004: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom).

We use the term 'non-EU' to refer to countries outside of the EU, EEA and Switzerland.

The data we draw on also classifies EU and overseas immigration in different ways. In some cases, data refer to residents' country of birth (e.g. when using the term 'foreign-born', 'EU-born' or 'UK-born'). In other cases the data refer to the current nationality of immigrants ('EU nationals', 'UK nationals', and so on), implying that foreign-born residents who have acquired UK citizenship are counted as 'UK nationals'. Data on migration flows, by contrast, often refers to the country from which migrants arrived (for in-flows) or their country of destination (for out-flows), which may not necessarily be their country of origin or nationality.

2

Migration to Scotland

2. Migration to Scotland

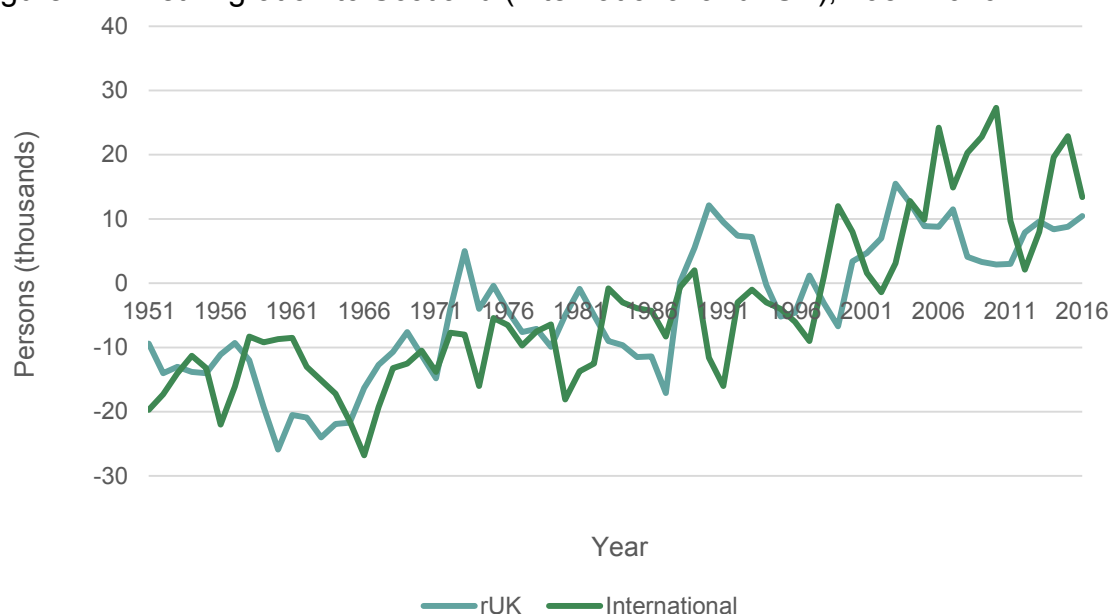
This chapter briefly summarises recent trends in migration to Scotland, and provides an overview of the characteristics of migrants, including main reasons for migration, occupations, age and sex, and geographical distribution across Scotland. It then considers how the proposed changes to free movement and UK immigration rules are likely to affect these trends, setting out different scenarios for migration flows to Scotland after 2020.

2.1 Recent migration trends

Migration flows

Scotland experienced a period of negative net migration from the 1950s until the late 1980s (more outflows than inflows into the country). However, from the early 2000s, the country — saw positive net migration both from overseas and the rest of the UK (rUK) (Figure 2.1).

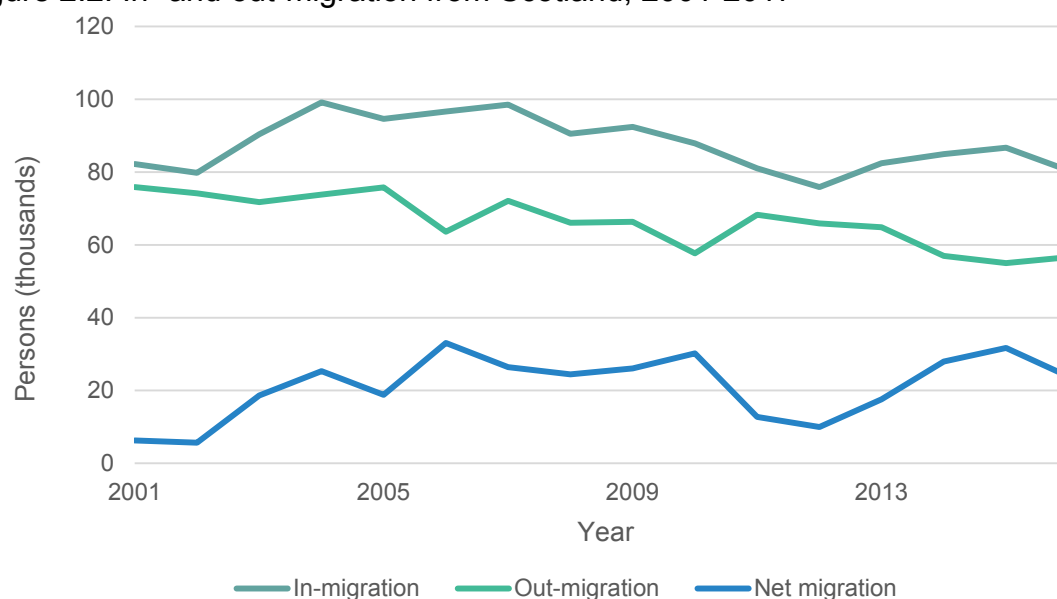
Figure 2.1: Net migration to Scotland (International and rUK), 1951-2016



Source: NRS

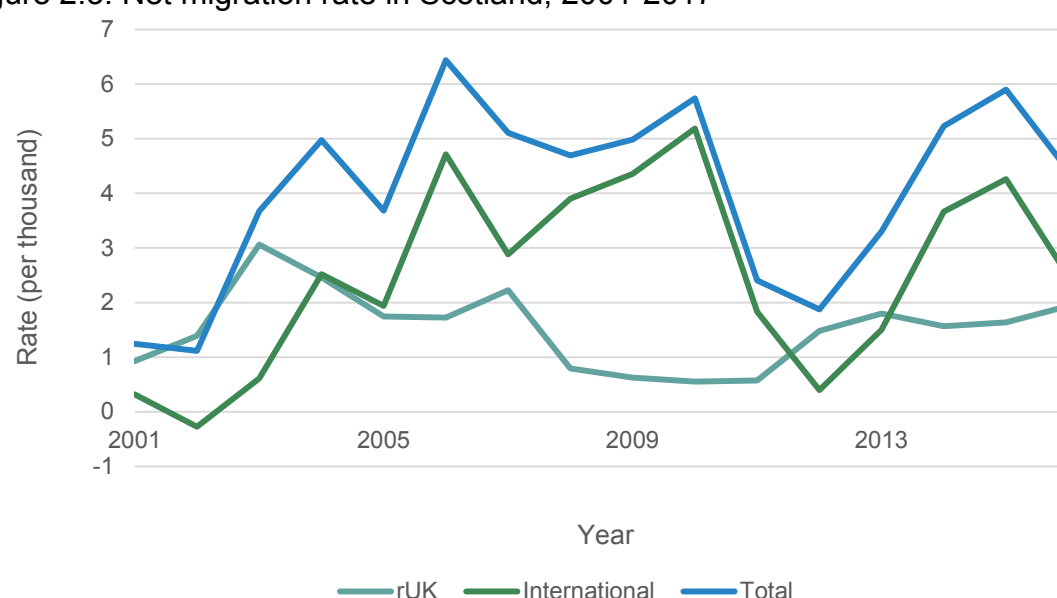
Average net migration from mid-2001 to mid-2017 was around +21,000 individuals a year (Figure 2.2). The analysis shows that net migration to Scotland has been positive for both overseas migrants, and for those from rUK, although overseas migration has seen greater fluctuation (Figure 2.3).

Figure 2.2: In- and out-migration from Scotland, 2001-2017



Source: NRS

Figure 2.3: Net migration rate in Scotland, 2001-2017³

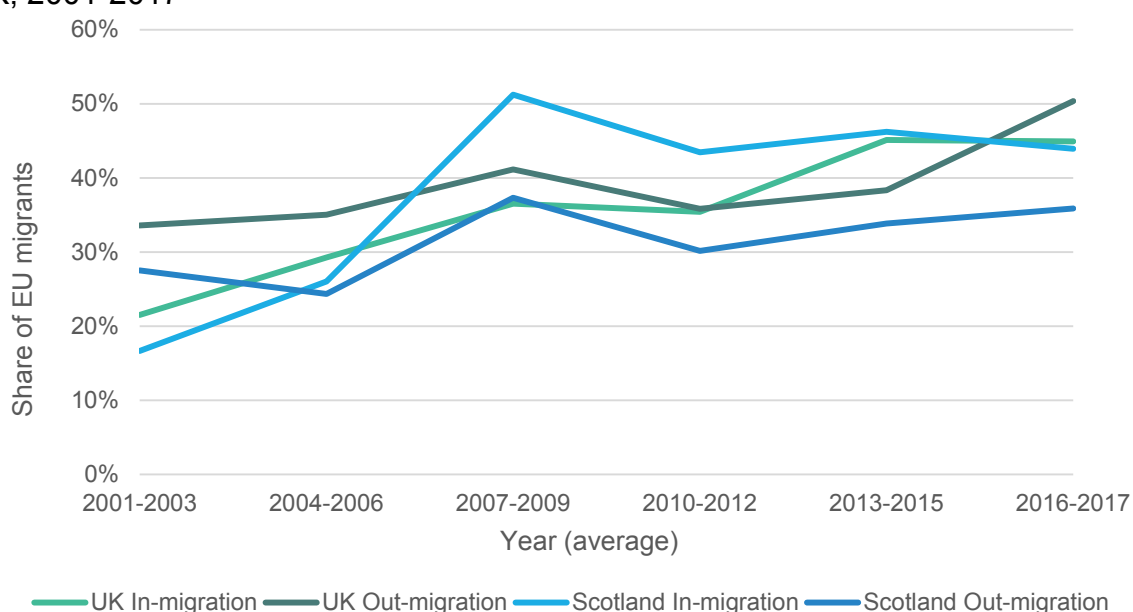


Source: NRS

Over the past decade, an estimated 45% of migrants to Scotland from overseas have come from EU countries. Comparing Scotland with the UK, we can see that, overall, the trends are similar, although the data suggest that the number of people arriving from EU countries relative to those leaving for the EU has been larger for Scotland than for the UK (Figure 2.4). However, we note the need for caution in analysing data by country of origin, given the small sample sizes for Scotland in the International Passenger Survey (IPS) and the LFS.

Recent estimates suggest that immigration from EU countries to Scotland and the UK is decreasing. IPS estimates for Scotland suggest a decrease in inflows and an increase in outflows in 2017, compared to the two previous years. Particularly striking is the decline in EU-8 immigration to Scotland, with estimated inflows at 1,700, significantly lower than the average of 4,850 over the previous ten years, and at their lowest point since 2006 (with the exception of the year after the financial crisis, 2008). This may reflect economic conditions in the UK (for example the falling value of sterling), as well as uncertainties around leaving the EU and the anticipated end of free movement rights.⁴ It may also reflect a decline in the pool of potential emigrants from EU-8 countries, due to rising employment opportunities and income in countries of origin and the declining size of young adults' cohorts.

Figure 2.4: Share of EU migrants among international migrants in Scotland and the UK, 2001-2017



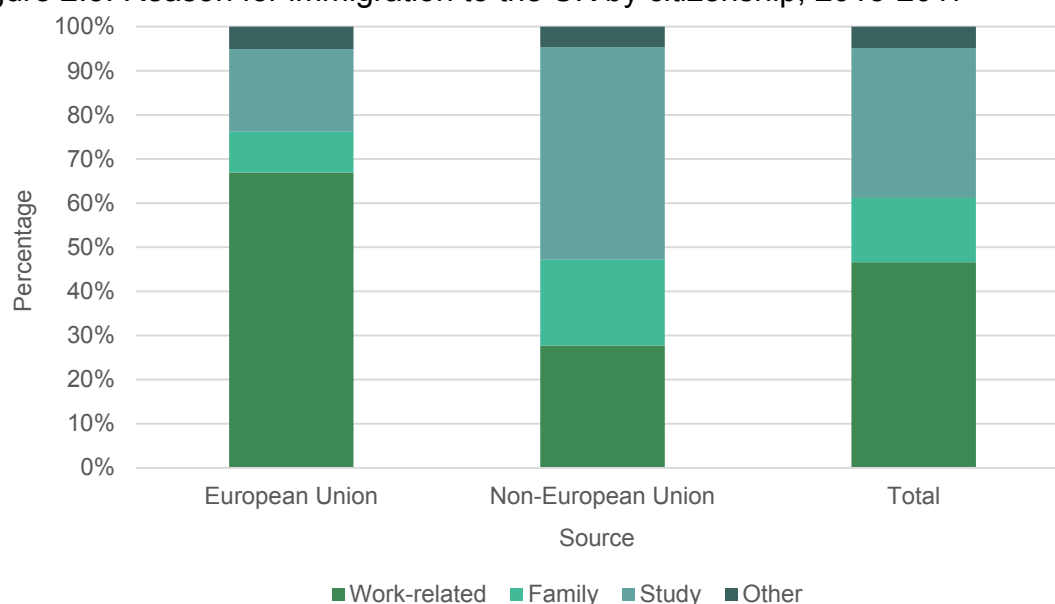
Source: ONS

Reasons for migration to Scotland

Most EU nationals come to the UK to work. Estimates for 2013-2017 suggest that 67% of immigrants from EU countries came to the UK either with a definite job or to look for work. A further 19% entered to study, and 9% to join family. Moreover, a proportion of those who entered for the purpose of study or to join family may also go on to become economically active. Conversely, the cohorts of younger EU nationals who have settled in the UK since the 1990s will eventually become pensioners.

The proportion of non-EU entrants entering for work reasons was somewhat lower, estimated at 28% for the period 2013-2017. This reflects the more restricted possibilities for non-EU nationals to live and work in the UK. A larger proportion (48%) entered to study, and a further 19% to join family. Again, it should be noted that some family members may become economically active after they arrive, while some students may also switch to work routes.

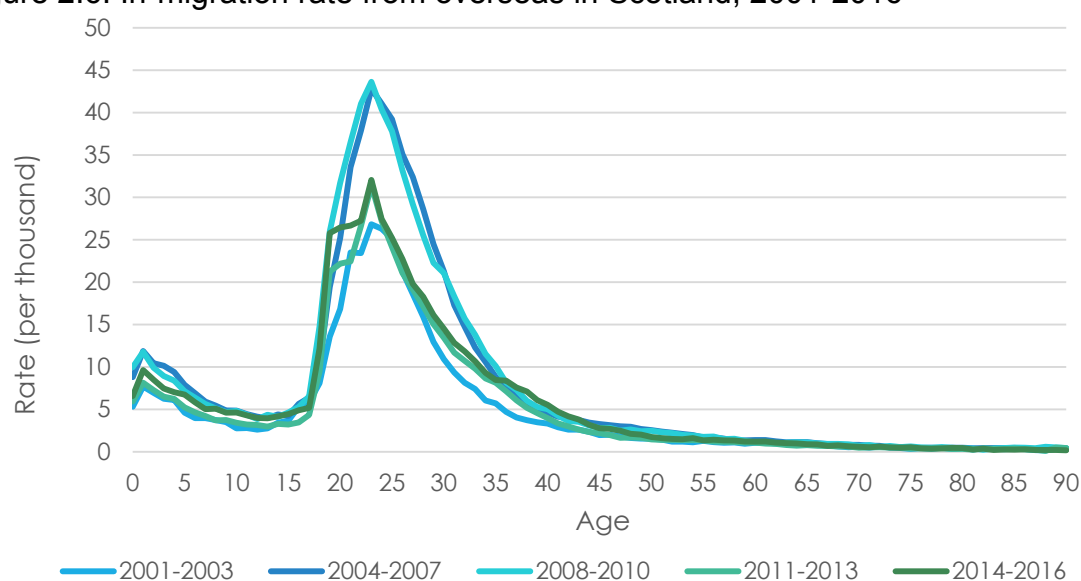
Figure 2.5: Reason for immigration to the UK by citizenship, 2013-2017



Source: NRS

Migrants from EU countries tend to be younger than the average population. Figure 2.6 shows that immigration from overseas to Scotland has been dominated by those aged 20-29, with the proportion rising after the EU-8 accession in 2004. The high proportion of 20-24 year olds is partly accounted for by student migration; while the overall preponderance of 20-29 year olds reflects the fact that many young people move at the beginning of their career to enhance their job prospects, and prior to starting a family.

Figure 2.6: In-migration rate from overseas in Scotland, 2001-2016



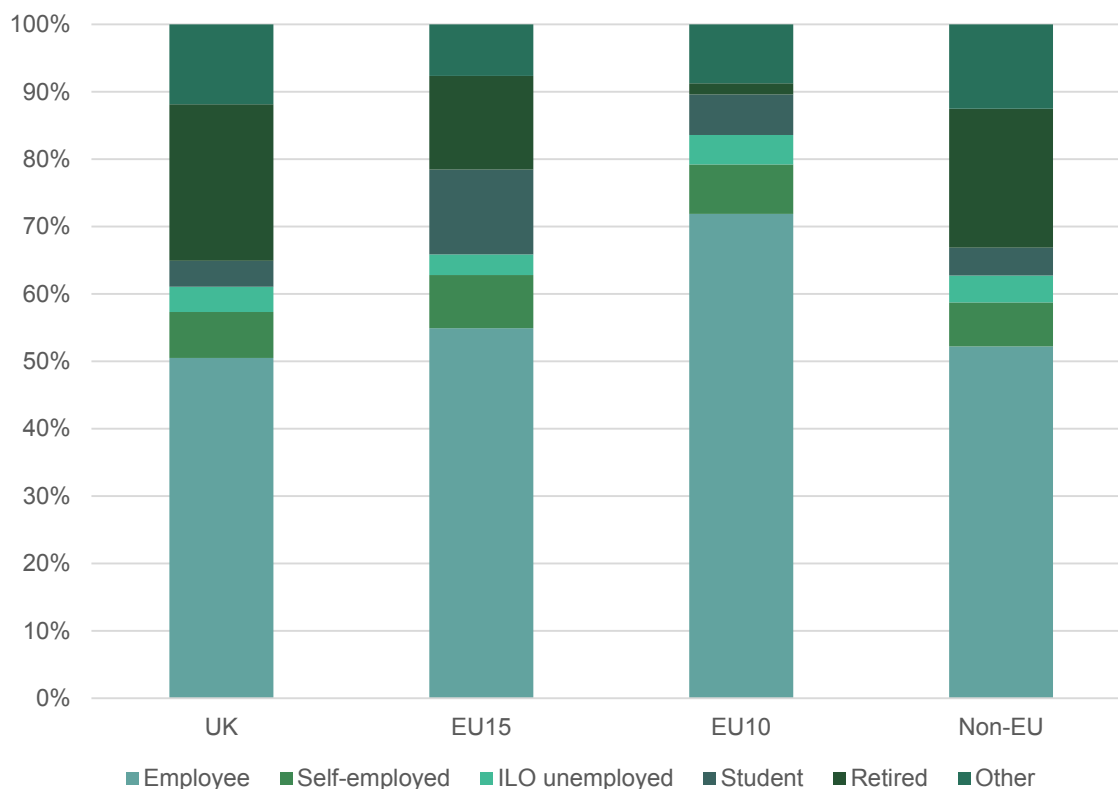
Source: NRS

2.2 Sectors of Employment and Occupations

We now examine the distribution of migrant workers across the labour market using the APS and the LFS. Although these surveys provide the best available information on migrants, it is possible that they underestimate levels of migration. The reasons for this include non-sampling of communal establishments such as halls of residence, language difficulties and/or reticence in responses to interview questions, especially if work status has not been established. In particular, the LFS and the APS are unlikely to capture the role of seasonal agricultural workers accurately. Country of birth is classified either as the UK; the EU-15; the EU-10; or other non-UK countries.

We start by examining how economic activity varies across these country-of-birth classifications. Figure 2.7 shows how they vary by economic activity in Scotland. Employment accounts for more than 50% of activity across all groups, but is particularly high for those from the EU-10 countries. A relatively large proportion of residents in Scotland born in the EU-15 are students. The distribution of economic activity among those born outside the EU more closely resembles that of the UK-born than either the EU-15 or EU-10. The proportion of self-employed individuals from the EU-10 and EU-15 (not including the UK) exceeds that of the UK-born: around 7.5% of EU migrants to Scotland are self-employed. Setting tight criteria on access to the UK labour market for the self-employed is likely to limit growth in firm formation in Scotland, which already lags behind the rest of the UK.

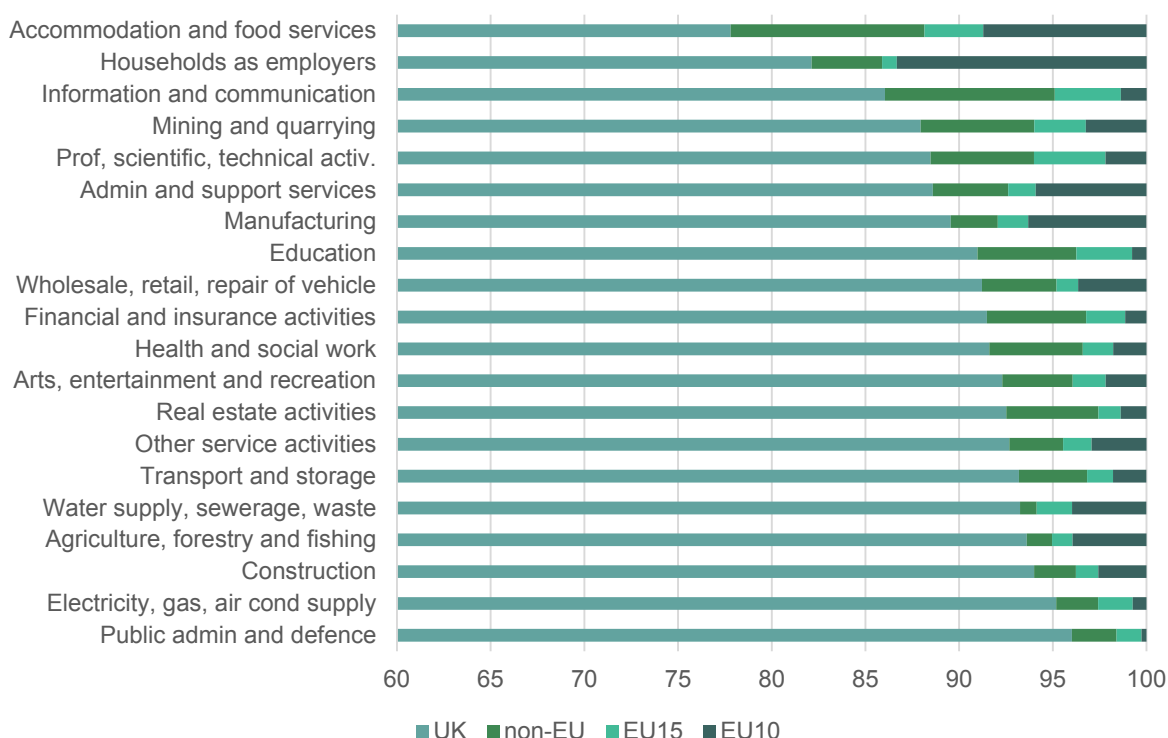
Figure 2.7: Economic Activity by Country of Birth



Source: ONS Annual Population Survey 2013-2017

Figure 2.8 shows the distribution of employment across Scottish industries by country of birth. It shows those sectors that are more dependent on migrant labour, and how this reliance on migrants is distributed between the EU-15, the EU-10 and other non-EU countries. Note that 'UK' includes those born in Scotland and the UK as a whole.

Figure 2.8: Employment Shares by Country of Birth and Broad Industry



Source: ONS Annual Population Survey 2013-2017

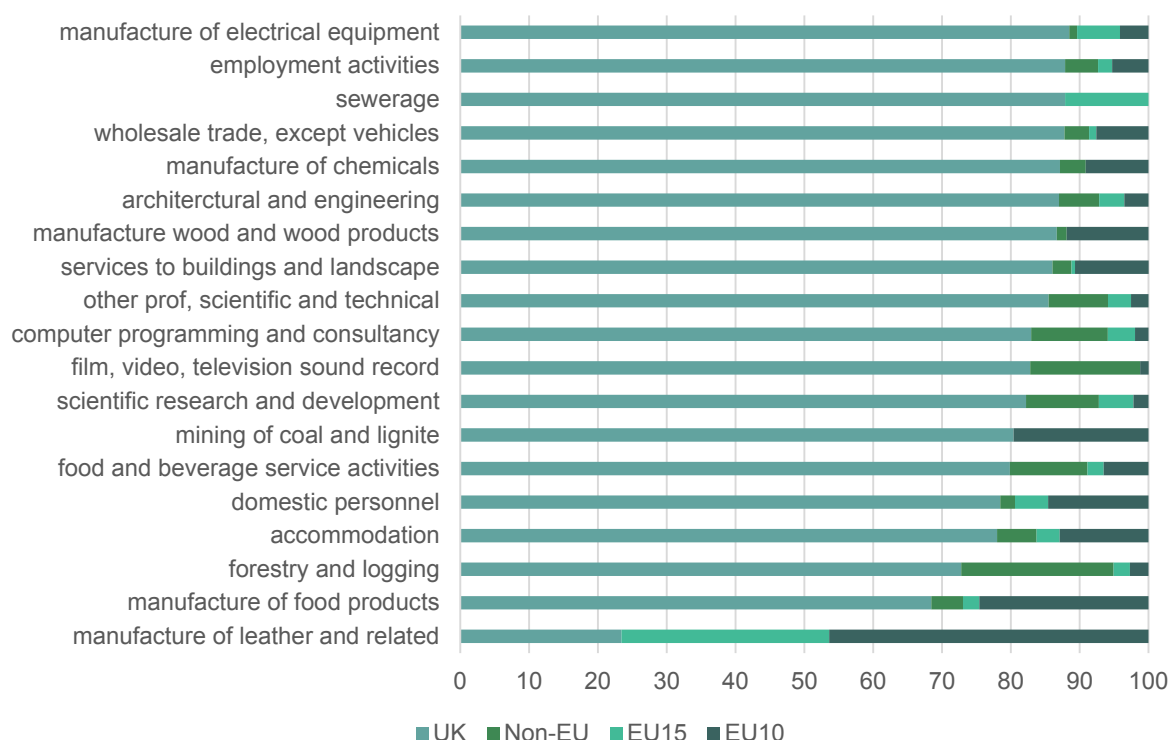
Accommodation and food services, which mainly comprise hotels and restaurants, are most dependent on migrants, with almost 22% of the workforce born outside the UK. These services form the main component of the tourism sector, which contributes around £6 billion to Scottish GDP, or 5% of total value-added.⁵ This is also a growing sector, with the number of overseas visitors to Scotland increasing by 17% between 2011 and 2016.

Dependency on migrant workers is high in many other sectors, with the number born in the EU considerably exceeding those born outside the EU. Exceptions are sectors which require advanced qualifications, such as education, finance, health and IT, where there is a similar or slightly larger share of non-EU nationals.

However, such broad industrial sectors do not capture the detailed picture of dependency on migrant labour. Figure 2.9 provides a breakdown of those industries in Scotland that have more than 10% of their employees born outside the UK. This more detailed disaggregation highlights the role played by EU-10 workers in manufacturing food, leather products and so on. It also highlights the dependency of

scientific research, computer programming, film and video production on migrants from the EU-15 countries.

Figure 2.9: Employment Shares by Country of Birth and Detailed Industry



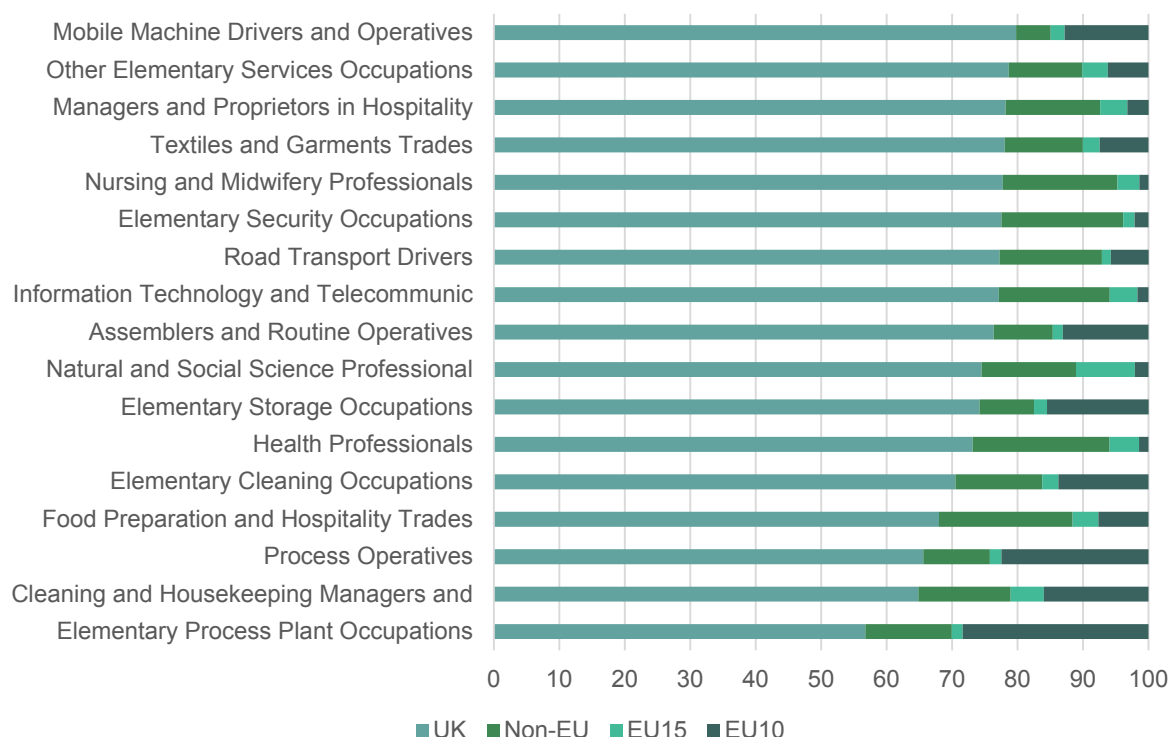
Source: ONS Annual Population Survey 2013-2017

A similar analysis of how migrants are distributed by occupation provides an indication of where gaps may appear in the Scottish labour market should the supply of migrants be significantly reduced. Figure 2.10 shows the migrant shares in those occupations where more than 20% of the workforce was born outside the UK.

The majority of these occupations are not classified as high-skilled. Health professions, science and IT are the main exceptions. In these occupations it is non-EU and EU-15 countries that dominate the foreign-born employment share, whereas in the less skilled occupations, migrants from EU-10 countries play a much greater role.

The MAC report on *EEA Migration in the UK* notes that one strategy to offset the effects of a reduction in immigration is to encourage the UK-born to remain longer in the workforce by deferring retirement. However, the UK-born workforce is already relatively old due to Scotland's demography. Table 2.1 shows the mean age of workers by major occupation and country of birth. It clearly shows that almost without exception, the average age of the UK-born exceeds that of migrant workers. The gap between the age of the UK-born and that of EU-10 migrants, who are generally the most recent arrivals, is particularly striking. Policies to encourage the already older UK-born to work longer would have to be introduced as a matter of urgency, given their existing age profile.

Figure 2.10: Employment Shares by Country of Birth and Detailed Occupation



Source: ONS Annual Population Survey 2013-2017

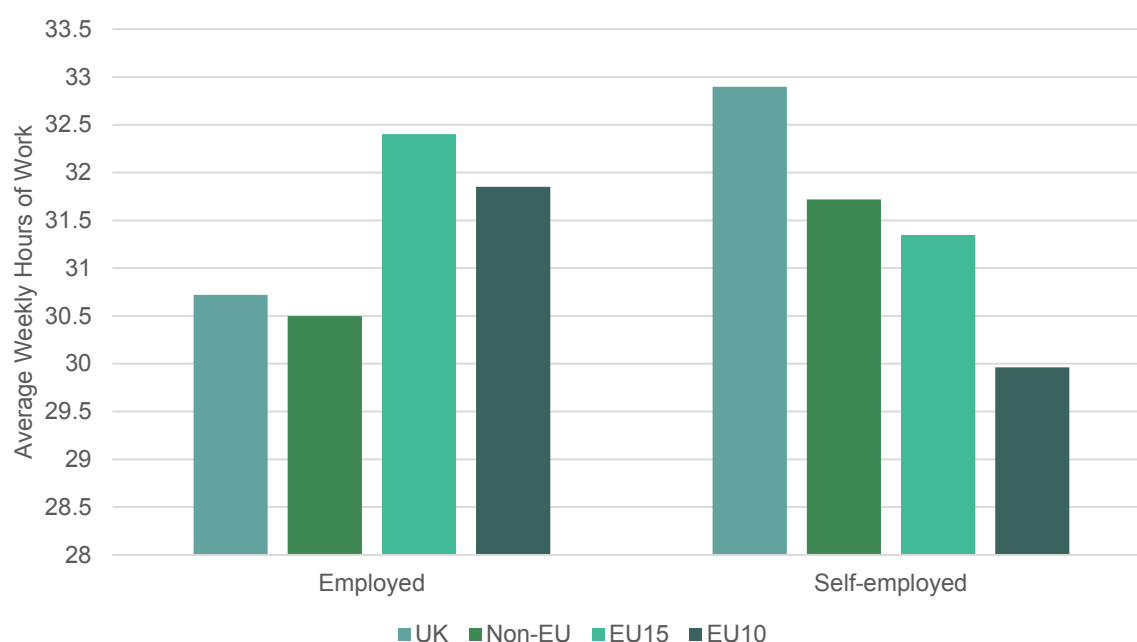
Table 2.1: Mean Age of Workers by Broad Occupation and Country of Birth

	UK	EU-15	EU-10	Non-EU
Managers, directors and senior officials	48.8	46.4	35.9	47.7
Professional occupations	45.1	42.3	37.9	44.2
Associate professional and technical occupations	44.0	42.1	33.4	43.0
Administrative and secretarial occupations	45.0	46.0	32.9	43.8
Skilled trades occupations	44.7	42.7	35.2	44.0
Caring, leisure and other service occupations	44.1	44.7	33.7	43.1
Sales and customer service occupations	38.1	35.2	32.6	36.9
Process, plant and machine operatives	47.4	42.4	35.4	46.6
Elementary occupations	41.4	35.8	34.7	39.8

Source: ONS Annual Population Survey 2013-2017

Contributions to value added depend not only on the number of workers, but also on the number of hours that they work. Again, there are contrasts between migrants and the UK-born, with the average EU-15 and EU-10 employee working around 5% more hours than their UK-born equivalents. This pattern is reversed among the self-employed, but since these comprise only 11.5% of all workers, the extra hours worked by employees more than offsets the extra contribution for the UK-born self-employed. Thus, if these working time patterns persist and immigration falls, maintaining current levels of output would require a more than one-for-one replacement of migrant workers by the UK-born.

Figure 2.11: Weekly Hours of Work by Country of Birth and Employment Status



Source: ONS Annual Population Survey 2013-2017

2.3 Geographical Distribution

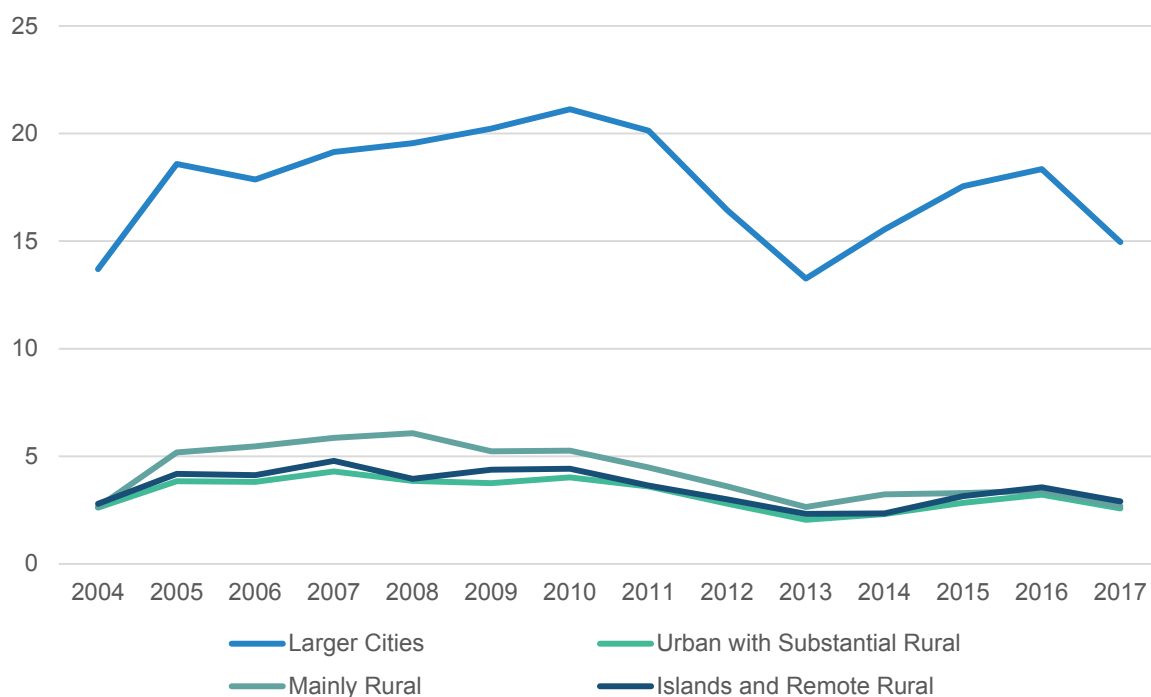
Over the past five years, the rate of immigration flows to Scotland from overseas has been just under 6.5 per 1,000 head of population per year (see Table 2.2). However, the rate of migration varies across different areas of Scotland. While larger cities have seen an annual immigration rate of almost 16 per 1,000, other types of areas (including remote and rural areas, and urban with substantial rural) have experienced an immigration rate of around 3 per 1,000. This rate is at a lower level than the rate for 2004-08, which saw large numbers of EU-8 nationals move to Scotland following accession in 2004. Figure 2.12 shows this distribution by council area type in Scotland, mapping flows per 1,000 head of population between 2013 and 2017.

Table 2.2: Rates of International In-Migration per 1,000

	2004-08	2013-17
Larger Cities	17.78	15.94
Urban with Substantial Rural	3.68	2.60
Mainly Rural	5.05	3.05
Islands and Remote Rural	3.97	2.85
Scotland	7.86	6.42

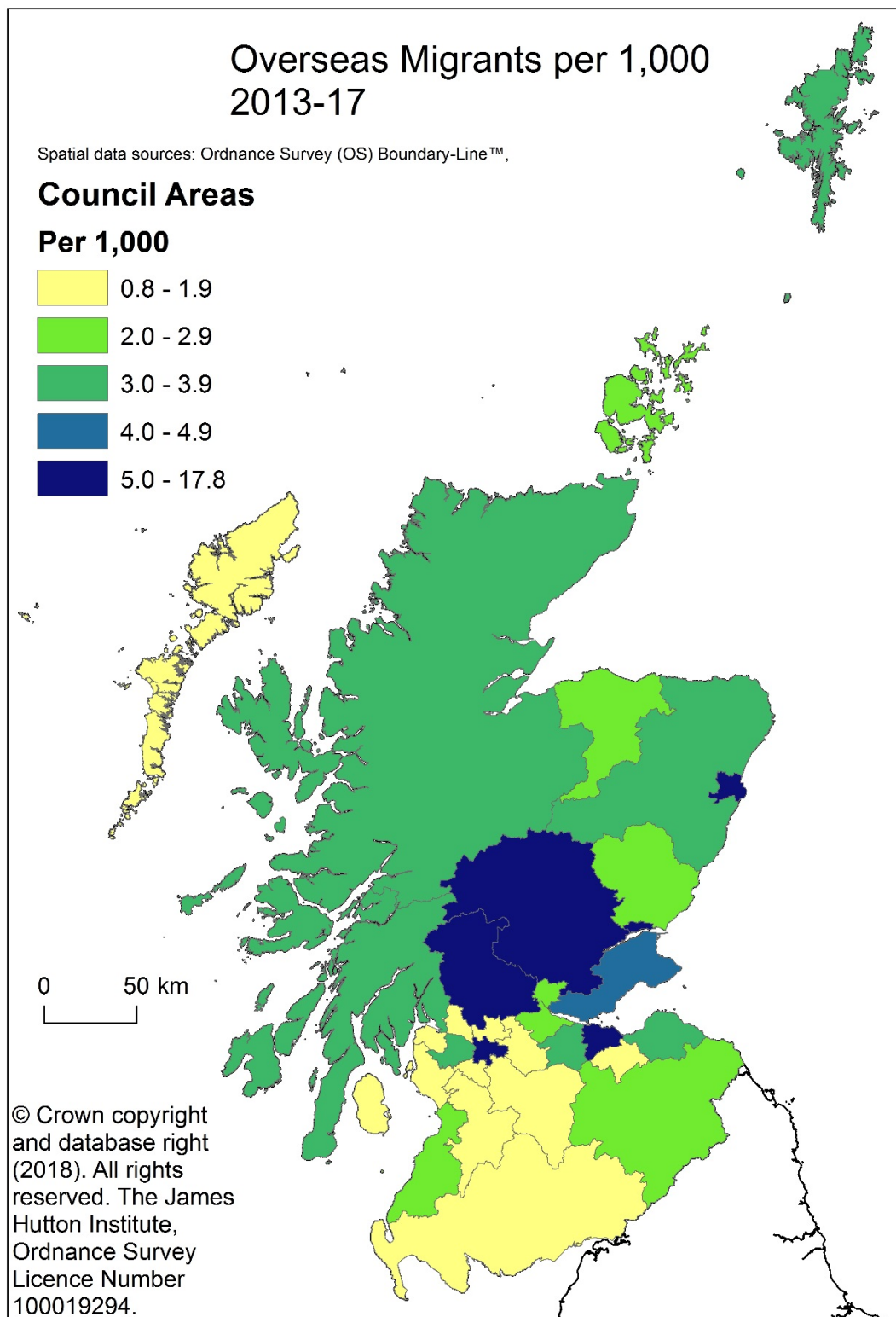
Source: NRS Local Area Migration 2017⁶

Figure 2.12: Overseas In-Migrants per 1,000



Source: NRS Local Area Migration 2017

Figure 2.13: Overseas Migration per 1,000, 2013-17

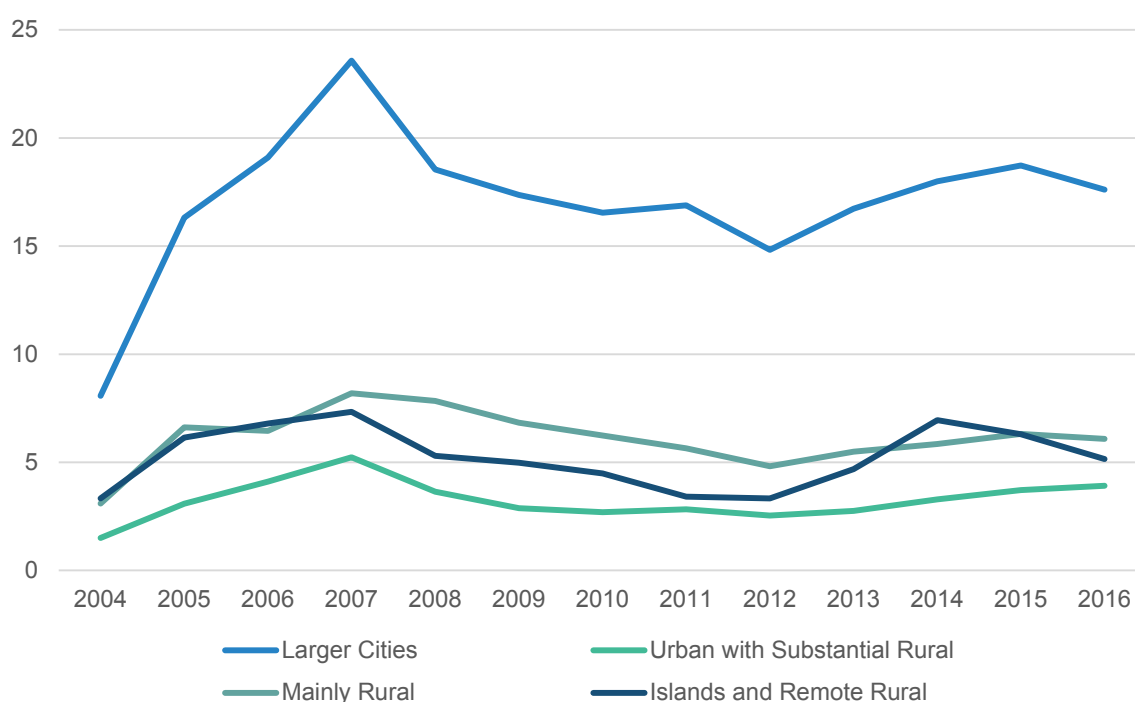


Source: NRS Local Area Migration 2017

We can observe a similar spatial distribution if we look at data on National Insurance registrations (NINOs), which show a concentration of international migrants in the cities. The NINO data also show how the EU-8 accession in 2004 led to a substantial increase in labour migration to all areas of Scotland, including mainly rural and islands and remote rural areas. The NINO figures may be under-representing migration to remoter areas, as non-UK nationals are more likely to move to such locations as secondary destinations, after an initial stay in urban or less remote rural areas.

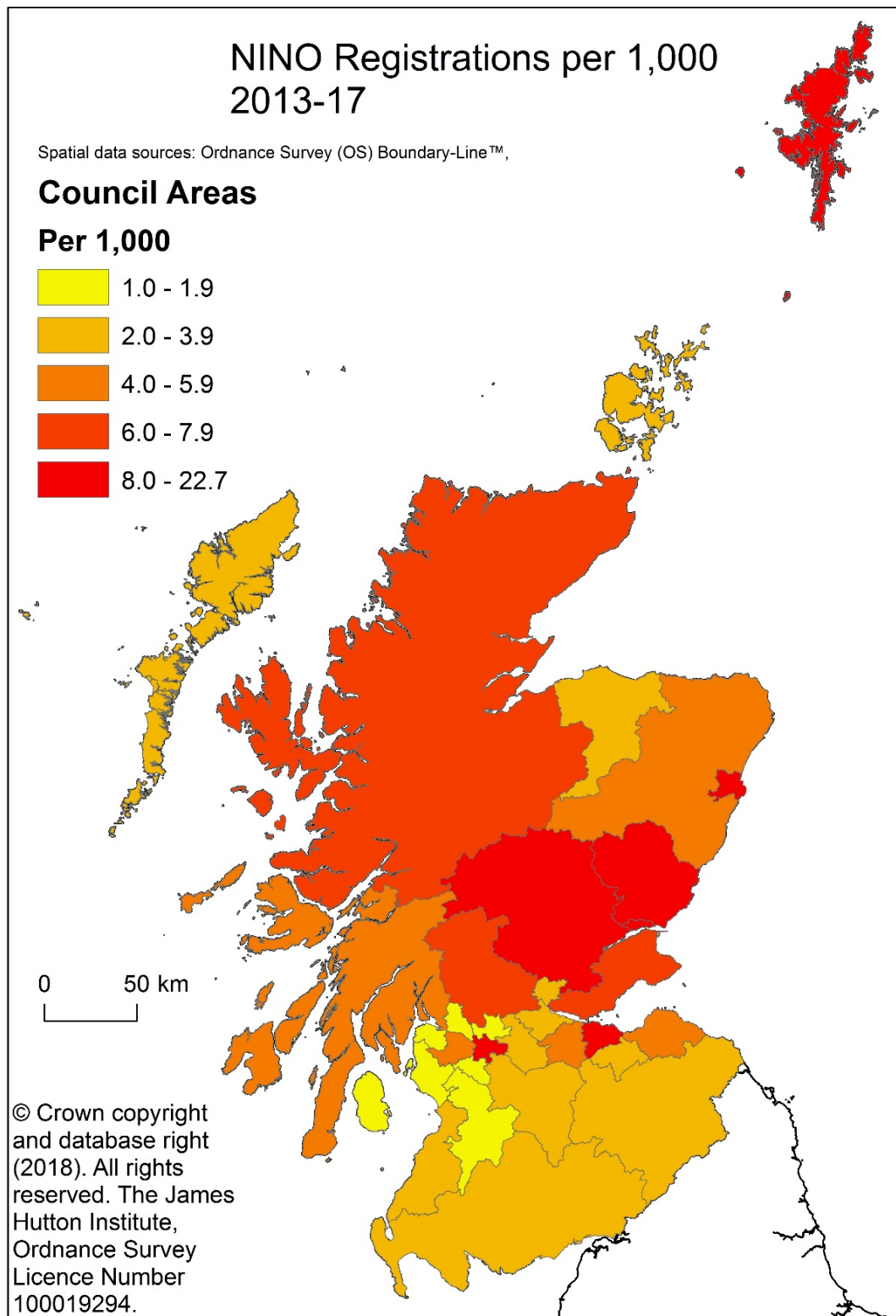
This is borne out by studies showing how EU migrants, and especially nationals of EU-8 countries, have been distributed across all types of areas of Scotland. This is in contrast to previous migratory movements to Scotland, as well as immigration of non-EU nationals, which have tended to be more strongly concentrated in larger cities. The wider spatial distribution of EU migrants has been linked to the relative lack of restrictions for both migrants and employers within the free movement framework.

Figure 2.14: National Insurance Registrations per 1,000, 2004-2017



Source: NRS Local Area Migration 2017

Figure 2.15: NINO Registrations per 1,000, 2013-17



Source: NRS Local Area Migration 2017

These data all help us build up a picture of migration flows into different areas of Scotland. We can also use data on stocks of migrants to understand spatial distribution. Country of birth data from the 2011 census suggests that just under 14% of the population of the city council areas were born outside the UK in 2011. In the three other types of council area the percentage was less than 5%. By the time of the 2017 Population Estimates, the non-UK-born population in city council areas had risen to 17%, while in other types of areas the percentage ranged from 4.4% (in remote and island areas) to just over 6% in the mainly rural areas.

2.4 Future immigration scenarios

The task of this report is to consider how these migration dynamics might be affected by the proposed changes to free movement and UK immigration rules. Decisions on migration and settlement are extremely complex, as they are influenced by a range of economic and social conditions in both sending and receiving countries. This makes it difficult to predict how future policy changes might affect flows. The following factors are likely to influence flows of EU nationals over the coming years:

- changing economic and social conditions in the main countries of origin of EU migrants;
- changing economic and social conditions in the UK;
- changes to UK immigration policy, including the cessation of free movement and adjustments to the immigration system.

This report focuses on the third factor: changes to UK policy. Thus we examine how changes in free movement rights and UK immigration policy might influence migration flows to and from Scotland once the UK has left the EU. Clearly, we would not expect other social and economic conditions to remain the same. Indeed, recent trends in migration suggest that in-flows of EU nationals to the UK have already declined and outflows have increased, possibly in response to economic conditions in the UK and uncertainty about the future status of EU nationals in the UK. Given uncertainties around the main drivers of migration, we will sketch out two scenarios, reflecting different expectations about the immigration decisions of EU nationals.

In order to develop future migration scenarios, we start by defining a baseline projection that gives the assumed level of net migration in the absence of the proposed changes. Our baseline projection assumes that overseas migration flows will remain the same as they have been over the past five years (using the five-year averages for in- and out- migration). This figure, +13,000, is similar to the average net migration between 2001 and 2017 and lower than that in the last ten years. However, these estimates are still much higher than those of the NRS and ONS principal projection, which are based on the average for the previous 25 years.⁷ In our projections, we assume the same fertility, mortality and migration levels with the rest of the UK as the NRS and ONS principal projection.

Again basing figures on trends of the past five years, we assume 34,500 immigrants and 21,500 emigrants, implying overseas net migration at +13,000. Of this, we assume 15,500 immigrants come from EU countries annually, and 7,500 leave for the EU, with net migration of +8,000. A further 19,000 come from non-EU countries and 14,000 leave for non-EU countries per year, with net migration of +5,000. We further assume a similar breakdown of immigration by age (see Figure 2.7).

This baseline is then adjusted in line with expected changes in patterns of migration following the proposed policy changes. We expect the major impact on international migration figures to occur in relation to EU immigration, the Tier 2 route, family migration, and long-term settlement decisions. We would also anticipate some changes following the introduction of temporary labour schemes for some sectors. However, we note that immigration through the proposed seasonal workers and transitional temporary routes would not be captured in international migration statistics as it would involve stays of less than 12 months. In the following sections, we outline the main changes we would expect to occur.

EU migration for work

The end of free movement rights after the UK leaves the EU means that citizens of other EU countries will no longer be entitled to access the UK labour market or to be self-employed, except where UK immigration rules allow. EU nationals may work in the UK subject to the immigration rules that apply to non-EU nationals, namely the UK points-based system.

The current UK points-based system

The UK points-based system comprises five tiers for different categories of economic migration from outside the EU. Family migration and humanitarian migration routes (e.g. for asylum seekers) are dealt with outside the points-based system.

- Tier 1 is for 'high-value migrants' and covers entry of entrepreneurs, investors, and a small quota of 'exceptional talent' visas.
- Tier 2 is for 'skilled workers' with a job offer in the UK from an employer who will sponsor their application. It is the main route for workers outside the EU to enter the UK.
- Tier 3 was intended for low-skilled workers but was never implemented. The requirement for low-skilled migrant workers in the UK labour market was largely met by EU nationals exercising free movement rights.
- Tier 4 is for students who wish to study in the UK. Applicants must have a confirmed place at a registered UK educational establishment.
- Tier 5 contains a variety of visa routes temporary workers, including creative, sporting, charity, and religious workers. The youth mobility scheme allowing young people to come to the UK on working holidays also sits within this tier.

Within Tier 1, the 'Exceptional Talent' track applies to leaders or emerging leaders in science, engineering, medicine, digital technology, arts and humanities. However, there is currently a cap of 2,000 on this channel and the White Paper does not propose lifting this cap. The 'Entrepreneur' and 'Investment' tracks apply to those with substantial funds to invest in the UK, and are not likely to apply to a large number of potential migrants; very few of the 7.5% of EU migrants who are self-employed would have been able to meet these conditions. The MAC estimates average annual income for self-employed EU nationals is well below £30,000. Although they make a significant contribution to value added, there are no new proposals in the White Paper as to the route by which EU nationals might become self-employed in the UK.

Tier 2 is a route for skilled non-EU nationals, and is subject to skills and salary thresholds. As we saw in Chapter 1, the White Paper proposes abolishing the general cap on Tier 2 of 20,700 visas per year, and lowering the skills threshold to include medium-skilled jobs, while retaining the £30,000 salary threshold (or a lower threshold, subject to consultation).

Data from the LFS suggests that around 78% of EU migrants in Scotland do not meet the Tier 2 salary threshold. Moreover, not all employers currently employing EU nationals in occupations that would meet the criteria would be willing or able to switch to recruitment under Tier 2, because of the additional transaction costs involved. This may be especially the case with smaller firms. The White Paper proposes alleviating these costs through abolishing the resident labour market test, and simplifying the sponsorship system. However, the transaction costs for employers will remain higher than current costs for employing EU nationals, and the Tier 2 route is also likely to be less attractive to EU nationals than the current free movement framework.

At the same time, an expansion and simplification of Tier 2 would also enable a wider range of employers to recruit greater numbers of non-EU nationals who meet the threshold, potentially increasing inflows of *non-EU* migrants via this route. So while the changes may lead to a decrease in EU workers coming to the UK, they may encourage an expansion of skilled non-EU workers.

The White Paper projects that these changes would lead to an 80% reduction in EU immigration to the UK for the purpose of work. Our scenario assumes a more moderate reduction of 70%, but taking into account a possible expansion of non-EU migrants through Tier 2. Thus we would anticipate that the decrease in EU workers willing or able to enter through Tier 2 would be partially offset by the removal of the cap, the lower skills threshold, and reduction of transaction costs for employers, which is likely to increase the number of non-EU nationals entering through Tier 2. For the sake of simplicity, we include this expanded level of non-EU immigration within our 30% figure.

Family migration

Under current provisions on EU free movement, workers may be accompanied by family members, including extended family (parents of non-minors). With the cessation of free movement, the rights of workers to be joined by families would be aligned with the rights of non-EU nationals in the UK. This implies that only dependent children and partners will be allowed to join their family, and the sponsoring partner or carer will need to meet a salary threshold (£18,600 for a sponsoring partner, £22,400 for partner and child, and an additional £2,400 for each further child). We would expect some EU nationals to enter via this family route.

Tier 2 entrants may also be accompanied by partners and dependent children. Data on the number of dependents joining non-UK nationals under Tiers 1 and 2 shows that for every Tier 1 entrant, 2.2 dependent visas are issued; compared to 0.7 dependent visas for every Tier 2 entrant.⁸ We assume these figures would be similar for future EU nationals entering under these schemes. It is worth noting that Tier 2 dependents and entrants through the family migration route are not restricted in the jobs they may take up, so some may work in occupations that do not meet the Tier 2 salary or skills threshold.

Taking these two routes together (family migration and dependents under Tier 2), our scenario assumes that future EU family migration would be at a rate of approximately 70% of anticipated EU Tier 2 inflows.

Long-term stay and settlement

Entry under UK immigration rules is also more restricted in terms of pathways to long-term or permanent settlement. EU nationals currently have access to settled status if they can show they have been continually resident for 5 years. It is difficult to predict how many EU nationals currently in the UK or arriving before the end of 2020 will take up the opportunity to settle in the UK. Survey data on the intentions of EU migrants suggests that the prospect of leaving the EU is affecting the mobility decisions of many EU nationals in the UK.⁹ However, it is also possible that potential EU immigrants might have incentives to relocate to the UK before the end of the implementation period, given the opportunity to achieve settled status. And a proportion of those already in the UK may decide to apply for settled status in order to keep their mobility options open.

The opportunities for longer-term and permanent settlement are more restricted under Tier 2. Entrants may apply for settled status after five years, but this is premised on continued employment over five years, and carries a higher processing fee. The White Paper's proposal for temporary labour migration and seasonal agriculture are far more restricted, effectively ruling out the possibility to stay longer than 12 months. We can consider how the changes might affect future settlement decisions of EU nationals by looking at data on non-EU nationals entering through the points-based system. We assume a partial convergence of rates of out-migration by EU nationals to that of non-EU nationals, given that EU nationals would be subject to similar rules on settlement. On this basis, we assume an outflow rate of EU nationals of 50%, following the introduction of the new rules.

2.5 Two scenarios for future migration to Scotland

Building on these assumptions, we now set out two main scenarios for future annual EU flows over the five years following the implementation period (2021-26) after the UK leaves the EU. The first scenario is based on the projection set out in the White Paper, which estimates an 80% reduction in EU labour immigration. The White Paper analysis assumes a similar rate of return migration of EU nationals, so for the sake of simplicity we also assume an 80% reduction of *net* migration. Applying these figures to our baseline projection, the first scenario projects a reduction in current EU *inflows* to Scotland from +15,500 per year to +3,100 per year; and a reduction in *net* EU flows from +8,000 to +1,600.

Our second scenario assumes a more moderate 50% reduction in net migration of EU nationals. This is based on the assumptions set out above, namely:

- a 70% decrease in current EU inflows for work (incorporating an anticipated increase in non-EU immigration under Tier 2);
- immigration of Tier 2 dependents and family migrants at 70% of the level of Tier 2 immigration;
- student immigration remaining constant; and
- an outflow rate of 50% of inflows.

These assumptions yield projected net migration of EU nationals at +4,000. Taking EU and non-EU flows together, this suggests a decline in overall net migration to Scotland of roughly 50% (scenario 1) or 30% (scenario 2).

Table 2.3: Net international migration scenarios for Scotland, 2021-41

	Baseline	Scenario 1	Scenario 2
EU net migration	+8,000	+1,600	+4,000
Non-EU net migration	+5,000	+5,000	+5,000
Total net migration	+13,000	+6,600	+9,000

As noted, these projected scenarios are indicative, given both the lack of robust data on current inflows and outflows, and the challenges in anticipating how social, economic and policy changes will affect the decision-making of immigrants and employers. Nevertheless, these scenarios help us estimate the changes in Scotland's population, if EU migration were to be significantly reduced from its current level.

Chapter 3 provides a more detailed analysis of the labour market effects of the changes, including on particular sectors and local areas. Chapter 4 considers the fiscal impacts of the changes, in the context of the Scottish Government assuming new tax and social security powers. Chapter 5 assesses the demographic implications of the changes, looking at the Scotland-wide figure as well as different types of local areas. Finally, Chapter 6 examines the broader social impacts of these projected changes on communities in different types of areas.

3

Labour market effects

3 Labour Market Effects

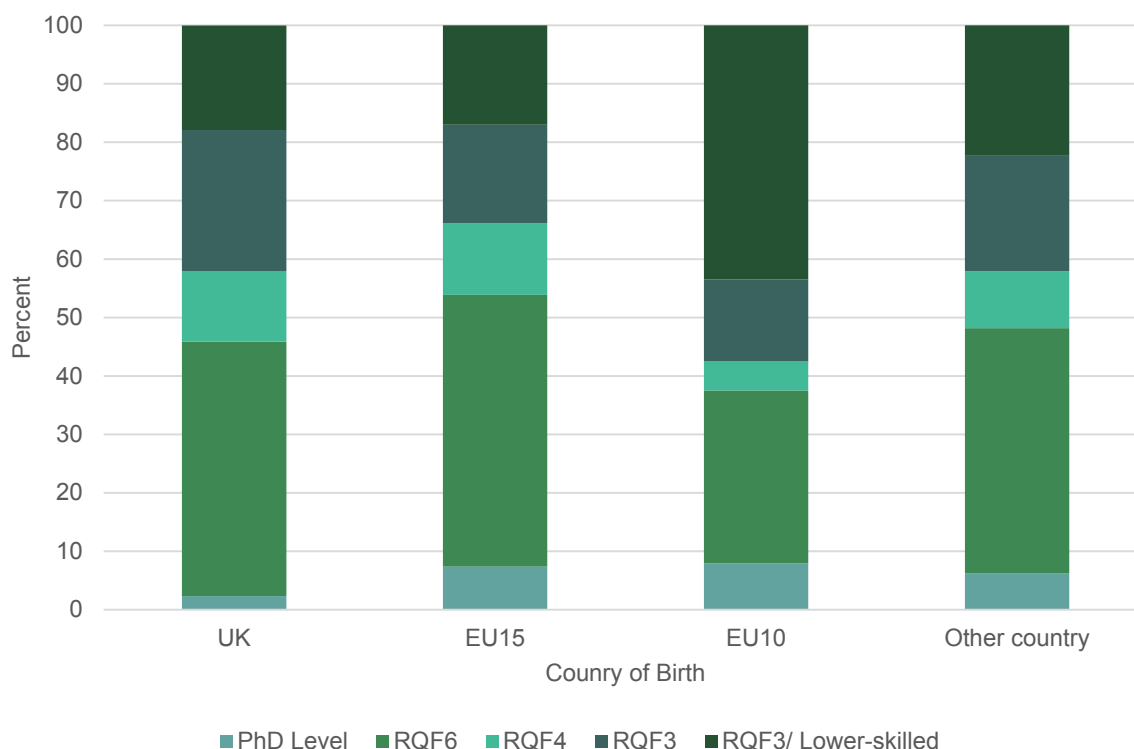
This chapter focuses on the impacts of the proposed Tier 2 changes on the Scottish labour market. Having established the size and distribution of the contributions that migrants make to the Scottish labour market in Chapter 2, we now consider how labour migration may be affected by the proposals contained in the White Paper.

3.1 Tier 2 Skills and Income Thresholds

The White Paper proposes abolishing the general cap on Tier 2, and lowering the skills threshold to include medium-skilled jobs at RQF3 or above. This is likely to expand the use of Tier 2, both by removing restrictions on the number of people employed, and increasing the range of eligible occupations. The removal of the resident labour market test and simplification in the sponsorship system may make the use of Tier 2 more appealing to a wider range of employers. The distribution of RQF levels in Scotland by country of birth is shown in Figure 3.1.

Those born outside the UK tend to be more concentrated at the extremes of the qualifications distribution. Thus, for example, the proportion of those born in the EU who hold a PhD is more than three times the equivalent UK share. But the proportion of unskilled labour from the EU-10 countries is more than double the UK proportion. This implies that there are likely to be fewer migrants in the middle of the income distribution than there are UK-born.

Figure 3.1: Regulated Qualifications Framework (RQF) and Country of Birth



Source: ONS Labour Force Survey 2013-2017

Table 3.1 shows estimated annual earnings in Scotland by country of birth and level of qualification based on the LFS 2013-2017 dataset. Consistent with the argument above, the range of earnings is wider for those born outside the UK than the UK-born. For example, median earnings for those born in the EU-15 with PhD level qualifications exceeds £54,200 while their low-skilled counterparts earn only £16,900. These compare with £35,200 and £18,500 for equivalent levels of skill among the UK-born.

Table 3.1: Median Annual Salary by Level of Qualification and Country of Birth

	PhD	RQF6	RQF4	RQF3	RQF3	Lower-skilled	All
UK	£35,200	£34,400	£25,600	£23,100	£18,100	£14,500	£20,900
EU-15	£54,200	£30,100	£22,900	£24,100	£14,100	£16,900	£22,800
EU-10	£40,200	£31,700	N/A	£18,300	£13,300	£14,600	£14,800
Non-EU	£35,100	£32,700	£23,100	£22,600	£15,700	£14,100	£19,000
All	£35,200	£34,200	£25,300	£23,100	£17,600	£14,500	£20,800

Source: ONS Labour Force Survey 2013-2017

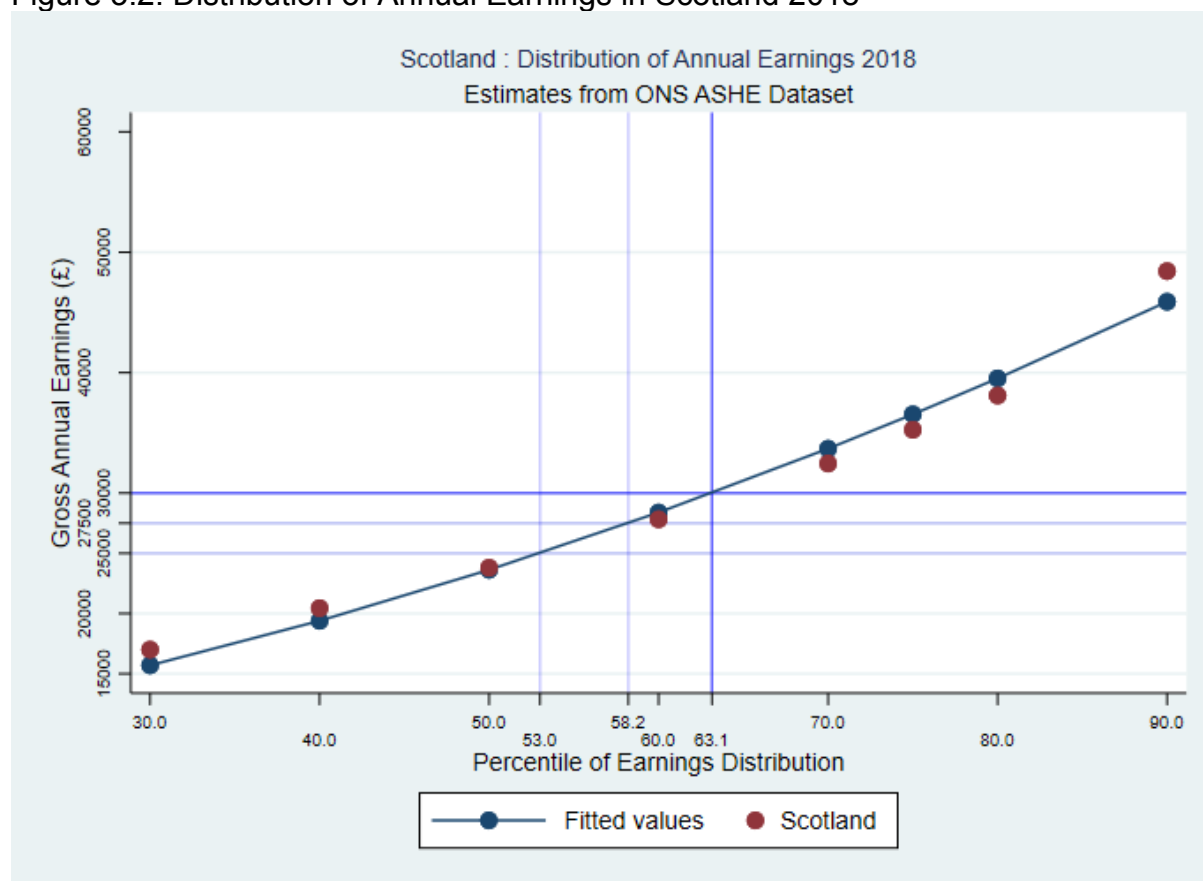
The White Paper proposes a £30,000 salary threshold for Tier 2 migrants (or a lower threshold, subject to consultation). The LFS estimate of overall median earnings in Scotland for the 2013-17 period is £20,800. Table 3.2 also shows that median earnings for both UK and non-UK workers, with skill level RQF4 or less, falls well short of the proposed salary threshold. However, median earnings are not informative about the proportion of the distribution that exceeds the threshold. In addition, the survey data from the LFS is potentially subject to bias for a number of reasons such as the level of proxy responses and low response rates at the upper and lower ends of the earnings distribution. It is difficult to assess the direction of these biases. In the remainder of the chapter, we analyse the implications of the proposed threshold in more detail, but for this analysis we rely on the Annual Survey of Hours and Earnings (ASHE), which is collected by the ONS and is based on employer records rather than survey data.

3.2 Effects on different sectors

We identify the types of work and worker likely to be most affected by the proposed restrictions on EU migration by analysing the distribution of annual earnings in Scotland for different groups within the workforce. We focus in particular on the proportion of employees whose annual earnings exceed the proposed income threshold.

The calculations are based on published tables from ASHE 2018 . Note that our analysis is restricted to employees, given that income data for the self-employed is not available in this dataset. Figure 3.2 shows the distribution of gross annual earnings in Scotland in 2018 based on ASHE. The tables contain data on the 10th, 20th, 30th etc. percentiles of this distribution. We fit a quadratic function to these percentiles to interpolate the proportion of earnings that are less than specified income thresholds.

Figure 3.2: Distribution of Annual Earnings in Scotland 2018

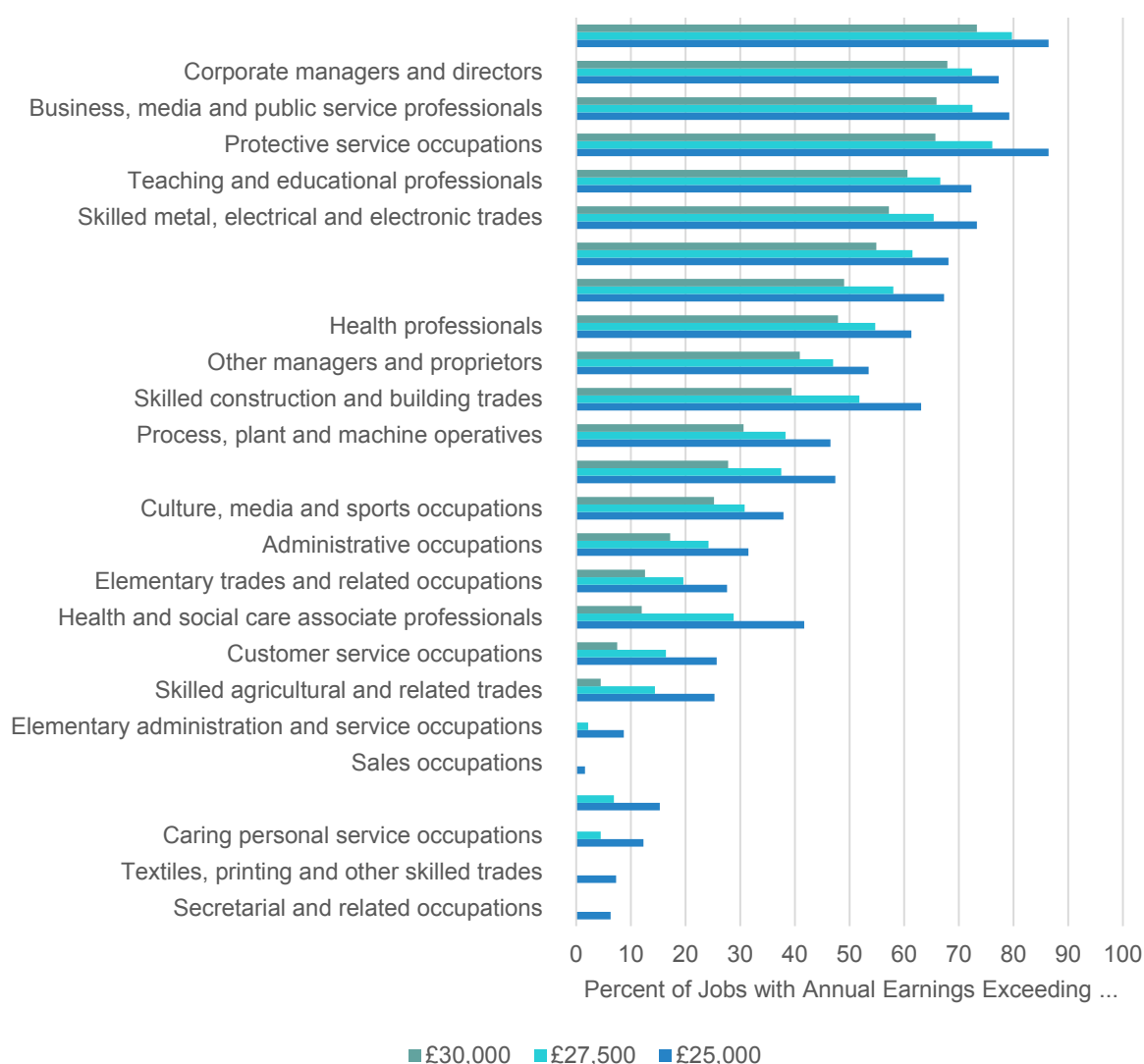


Source: ONS Annual Survey of Hours and Earnings 2018

The results show that around 63% of all employees in Scotland earn less than £30,000 and therefore fall below the proposed Tier 2 income threshold. To assess the implications of alternative threshold measures, we also carry out sensitivity analyses for lower thresholds of £27,500 and £25,000. In these cases, 58% and 53% of Scottish employees earn less than £27,500 and £25,000 respectively.

For a more detailed analysis, we first analyse the distribution of earnings by occupation. Figure 3.3 shows the proportion of jobs in broad occupational groups where annual earnings exceed thresholds again set at £30,000, £27,500 and £25,000. The results show that over 70% of jobs in science, research, engineering and technology have earnings exceeding the £30,000 threshold. Reducing the threshold to £25,000 increases this proportion to almost 90%. At the other end of the earnings spectrum, it is unlikely that any jobs in secretarial work, textiles, social care, leisure and travel, sales and elementary occupations would qualify if the Tier 2 income threshold was set at £30,000. Reducing the threshold to either £27,500 or £25,000 makes relatively little difference since these are low-wage occupations. Even the application of a lower Tier 2 income threshold would effectively bar non-UK migrants from these occupations.

Figure 3.3: Proportions of Jobs with Incomes Exceeding Thresholds of £30,000, £27,500, and £25,000 by Occupation in 2018



Source: ONS Annual Survey of Hours and Earnings 2018

These calculations include both UK-born and non-UK born workers in Scotland, since the ASHE dataset does not record country of birth. There is considerable overlap between low-wage occupations and occupations which employ a large share of migrant workers (see Chapter 2). For example, earnings in cleaning, processing and hospitality are typically low: they also employ a relatively large share of EU-10 workers. Recruitment to these occupations, particularly where turnover is high, is likely to be challenging if the proposed Tier 2 limit is adopted.

Scottish employers may respond to labour shortages by increasing investment, enhancing the skill levels of existing employees, more active recruiting of UK-born workers and/or increasing wage rates. Almost all of these courses of action would lead to increased costs. These may be passed on to consumers if market conditions permit. If they cannot be passed on, profitability would suffer.

The White Paper on migration argues that the increased availability of labour resulting from free movement within the EU has led to an overreliance on low-paid migrant workers. In order to reduce this reliance, it proposes that employers of migrants earning close to the £30,000 threshold might simply increase their wages above this threshold, but it explicitly avoids discussing the consequences of such adjustments for costs, competitiveness and ultimately for economic output. Reductions in labour supply that follow from the application of a salary threshold to EU migration may generate increased investment in both capital and skills but how far these are economically viable will vary both by occupation and location.

These issues will confront Scottish employers to varying degrees in industries that are dependent on EU workers. Some of the challenges for sectors have been highlighted by organisations such as the Confederation of British Industry, the Federation of Small Businesses, the Scottish Tourism Alliance, Care Scotland and National Farmers' Union Scotland. In the next sections we provide examples of two sectors in Scotland that are likely to be negatively affected by the changes to immigration rules.

3.2 The cases of Social Care and Seasonal Agriculture

Social Care

One part of Scotland's economy likely to be substantially affected by new regulations on EU migration is the social care sector. The demand for care, particularly for older people, has grown substantially in recent years. We would expect that growth to continue. Our projections show that between 2016 and 2037, the number of those aged 80 and over in Scotland will increase by 68% (see Chapter 4). Increased demand for care provision will follow, given the prevalence of frailty and long-term health conditions in this age group.

The social care sector combines a number of unusual features:

- It is largely monopsonistic, with many suppliers and one dominant group of purchasers – local authorities. This structure has resulted in downward pressure on prices, impairing profitability and driving many providers out of the market. Local authorities are the principal providers because individuals typically do not have enough savings to meet care costs. Further, the budgets of local authorities across the UK have seen substantial reductions over the past years. However, the share of self-funding residents, who do cover the full costs of their care, is lower in Scotland than in England, which makes Scottish providers more reliant on local authority supported clients.
- These developments have inevitably affected the wages that care providers are able to offer. Workers in monopsonistic industries are typically low-paid, and the recent budgetary squeeze has added to the downward pressure on care workers' wages. The Scottish Government has partially alleviated this pressure by supporting the introduction of the Living Wage in the care sector.
- Low wages have reduced the incentive for care workers to invest in training and the inability of care providers to make normal profits has reduced their capacity to subsidise workers' training.

- The care sector does not lend itself easily to capital/labour substitution. It is a labour-intensive sector with little immediate prospect of technical change. Artificial intelligence is a long way from providing empathetic companionship, which is an essential component of the care worker's vocation. Neither is this skill valued in the current migration proposals.
- It is not clear that the market price for care reflects its true societal value, even if the market were competitive. Research has estimated that the value of unpaid family caregiving is equivalent to between 20% and 36% of GDP.¹⁰ Feminist economists have long argued that care is not properly dealt with in conventional GDP accounting and that governments, as evidenced by their policy choices, have consistently failed to recognise its important contribution to social welfare.

Given its unique structure, there is a strong case that the wages paid to care workers are an inadequate reflection of their contribution to societal welfare. However, the UK Government's migration proposals elide market wages and societal value. The proposals for classifying potential migrants are based solely on market wages.

The care sector in Scotland currently faces many challenges, including a significant excess demand for care workers. This is evidenced by the most recent Scottish Care employer survey, which indicated that 77% of care homes were having recruitment difficulties.¹¹ There are staff vacancies of around 20% in nursing posts in care homes.

EU workers make up a significant proportion of Scotland's care workforce. Our estimate from the LFS is that since 2015, around 9.1% of the workforce were born outside the UK, with 38.5% of these coming from the EU. This estimate is lower than that of Care Scotland: the LFS estimate may be biased downwards if its postcode-based sampling frame fails to capture adequately the addresses of migrants. Care Scotland reports that EU workers have been a particular target for recruitment to the sector in recent years, although difficulties have been experienced recently on recruitment due to the negative effects of preparations for the UK's departure from the EU.

As shown in Figure 3.3, the 2018 ASHE data suggests that less than 10% of those working in "Caring and personal service occupations" in Scotland earn £25,000, and none earn more than £30,000. Under current Home Office regulations, the majority of care workers are classed as 'lower skilled',¹² and therefore would also not qualify under the proposal to extend the skilled route for migrants to RQF3+ (Highers or equivalent) provided that they meet the £30,000 per annum income threshold.¹³

The White Paper proposes that workers at any skill level coming from unspecified "low risk" countries would continue to have access to the UK labour market for a limited period of time, to be reviewed in 2025. This would enable employers in the care sector to continue to seek workers from Europe. But these workers could only be offered a 12-month contract, and would have no access to public funds or entitlement to bring dependents. After the initial 12-month period, re-entry would not be possible until a further 12 months had elapsed. These terms are unlikely to be attractive to prospective EU recruits to the sector, and are therefore likely to further exacerbate the difficulties facing care service providers.

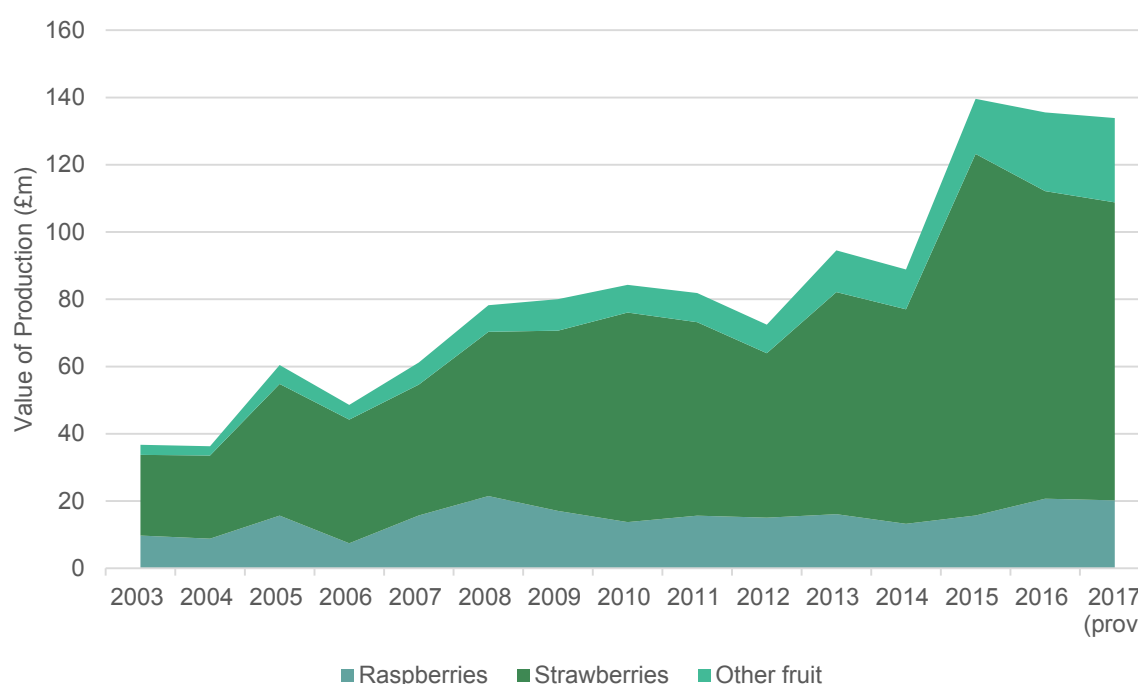
The care sector is already experiencing high staff turnover, with the added stress of covering existing vacancies leading to more staff leaving the sector. Even if there were an adequate supply of staff from EU countries, the 12-month tenure limit will prevent them from building a significant career in the UK. This will contribute to continuing instability within the sector, and will make it more challenging to adjust to the rapid growth in the number of older people in Scotland that will occur over the next decade. Instability in this sector may also have knock-on effects for the NHS by increasing delayed discharge if social care options are constrained by staff shortages. This would have an adverse effect both on NHS finances and on patient outcomes.

Finally, previous analyses of the costs and benefits of migration have largely failed to account for the economic impact of substitution between paid and unpaid care. If there are insufficient paid-for care workers to meet demand, the likely response is an increase in unpaid care by friends and family, some of which will result in reduced labour market participation. Recent research finds that unpaid care has a negative effect both on working time and wages and that this effect is particularly pronounced for women.¹⁴ Thus, female care providers decrease working time by between three and ten hours per week and face a wage rate 3% lower than non-caregivers. The implication is that a restriction on the supply of care workers is likely to adversely affect the labour market prospects of friends and family, particularly female family members. The fiscal effects of this substitution will be reduced income tax revenues and higher payments of welfare benefits. There are also likely to be higher health costs, since caregiving tends to have adverse health impacts.¹⁵

Seasonal Agricultural Workers

Employers of seasonal agricultural workers in Scotland will face additional challenges if the supply of such workers is significantly constrained. Around 9,300 seasonal workers were engaged in Scottish agriculture in 2017.¹⁶ They were particularly concentrated in fruit production. This sector has been an important source of growth within Scottish agriculture in recent years (see Figure 3.4). The value of its output grew to almost £140 million in 2017, while the volume of production has more than tripled since 2003. Food production in general has been growing more rapidly in Scotland than in the rest of the UK.

Figure 3.4: Fruit Production in Scotland by Value of Production, 2003-2017 (£m)



Source: Economic Report on Scottish Agriculture 2018

A recent survey of the sector indicated that labour shortages were evident in 2017, with 48% of respondents indicating that they had difficulty harvesting due to labour shortages.¹⁷ Without access to sufficient seasonal labour 58% of respondents were 'likely' or 'very likely' to downsize their business, while 42% would cease their current activity. Other actions, such as increasing wages or seeking more capital-intensive production methods, were favoured by 61% and 52% of respondents respectively (the categories were not exclusive). However, there are no viable mechanical options currently available to harvest soft fruit.

The UK Government proposes that existing arrangements for seasonal workers will continue until the end of the implementation period if an exit deal is agreed between the UK and the EU. In the event of a no deal, the UK Government has committed to temporary transitional arrangements lasting until 31 December 2020. Thus employers should be able to continue hiring workers from the EU. However, Scottish fruit businesses have already been forced to abandon production due to shortages of staff. The current uncertainty over migration arrangements is likely to make hiring EU workers even more challenging.

The UK Government proposal under no deal is that workers wishing to stay for more than three months will have to apply to the Home Office for leave to remain within three months of their arrival. Leave to remain will normally be granted for 36 months and this will include permission to work. However, in choosing where to work, potential migrants will weigh up the costs of this procedure against alternatives within the EU that do not involve such bureaucratic hurdles, the outcome of which cannot be predicted with certainty. This suggests that existing recruitment difficulties are only likely to become more acute.

To allay producer concerns, the UK Government has established a pilot scheme for non-EU seasonal workers. This will operate in 2019-20 and will involve up to 2,500 workers from outside the EU. In line with the MAC recommendation, the scheme is expected to require that workers be paid at a rate above the minimum wage so that it should not be seen as an 'easy option' for employers. The visas issued under this scheme are expected to cover the whole of the UK. The quota is far lower than the 21,250 workers admitted annually in the previous SAWS, which ran until 2016. Under that scheme, around 14.6% of the workers admitted were employed in Scotland, predominantly in Angus (1,143, or 5.7% of the UK total), Perth and Kinross (4.8%), Fife (2.3%) and Aberdeenshire (1.4%).¹⁸ If we assume a similar proportion of 14.6% under the new scheme, that would imply just 365 workers coming to Scotland under the pilot. This will clearly not come close to replacing the EU workers that have been regularly coming to Scotland in recent years, and without whom this sector of Scottish agriculture cannot be sustained in its present form. Unless the pilot is significantly expanded, this sector which is currently thriving will be forced into less profitable alternatives.

Producers have the option of local recruitment, but this appears unlikely to succeed unless wages are increased to a level that makes the final product uncompetitive. And in the absence of a mechanical harvesting solution, at least in the short term, the likely response is for producers to convert to other forms of production. Given the revealed preference for fruit production, these alternatives are likely to be less profitable. Agricultural policy as a whole will be in a state of flux as a result of leaving the EU, and these developments are likely to weaken business confidence in Scottish agriculture, which provides an important underpinning for Scotland's rapidly growing food and drink sector.

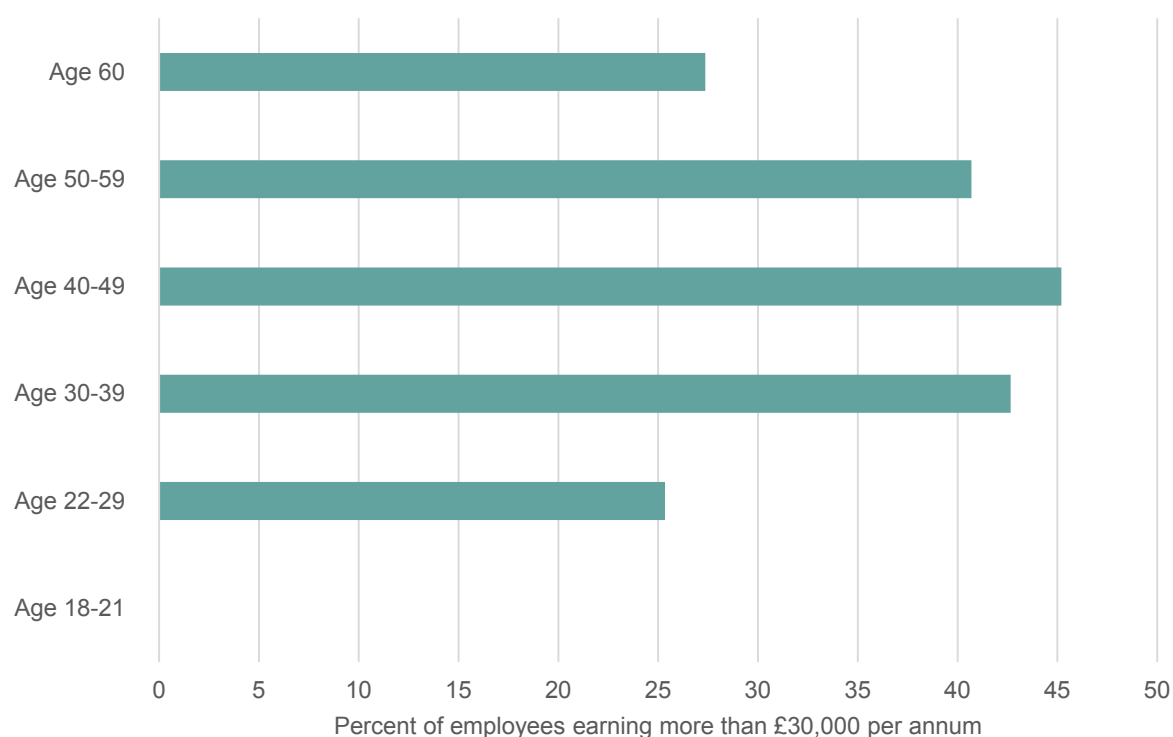
3.3 Migrant Characteristics and Income Thresholds

Applying a uniform income threshold will change the composition of EU migrants to Scotland due to the differential effects of a single threshold on different types of workers. In this section, we consider how the income threshold may affect the age, gender and spatial balance of EU migrants to Scotland.

As we have shown in Chapter 2, migrants to Scotland (and rUK) have typically been young, with net migrant flows dominated by those aged 20-29. This is in line with standard human capital theory, which suggests that most migrants move in order to improve their prospects and therefore will do so before they reach their peak earnings. This implies that they will find it more difficult to meet income threshold requirements than older workers who have reached their peak earnings level. The MAC recommended lower salary thresholds for young people and the UK Government has accepted this. In its recent White Paper it argued that 'graduate entrant jobs are already subject to a lower salary threshold and we intend to continue with that approach to ensure that those at the start of their careers are able to access the job market.'¹⁹ The current threshold for new entrants within the general Tier 2 route, and graduate trainees within Tier 2 (intra-company transfer), is set at £23,000.

Figure 3.5 is also drawn from the 2018 ASHE data. It shows the proportion of jobs that are held by different age groups and which exceed the Tier 2 £30,000 income threshold. It is for the UK as a whole rather than Scotland because ONS does not publish data on earnings by region and age. Nevertheless, patterns for Scotland are likely to be very similar to those for the UK as a whole. It shows that only around one quarter of jobs held by those aged 22-29 receive earnings that exceed £30,000. This proportion rises sharply for those in their 30s and 40s, but migration is much less common amongst these age groups.

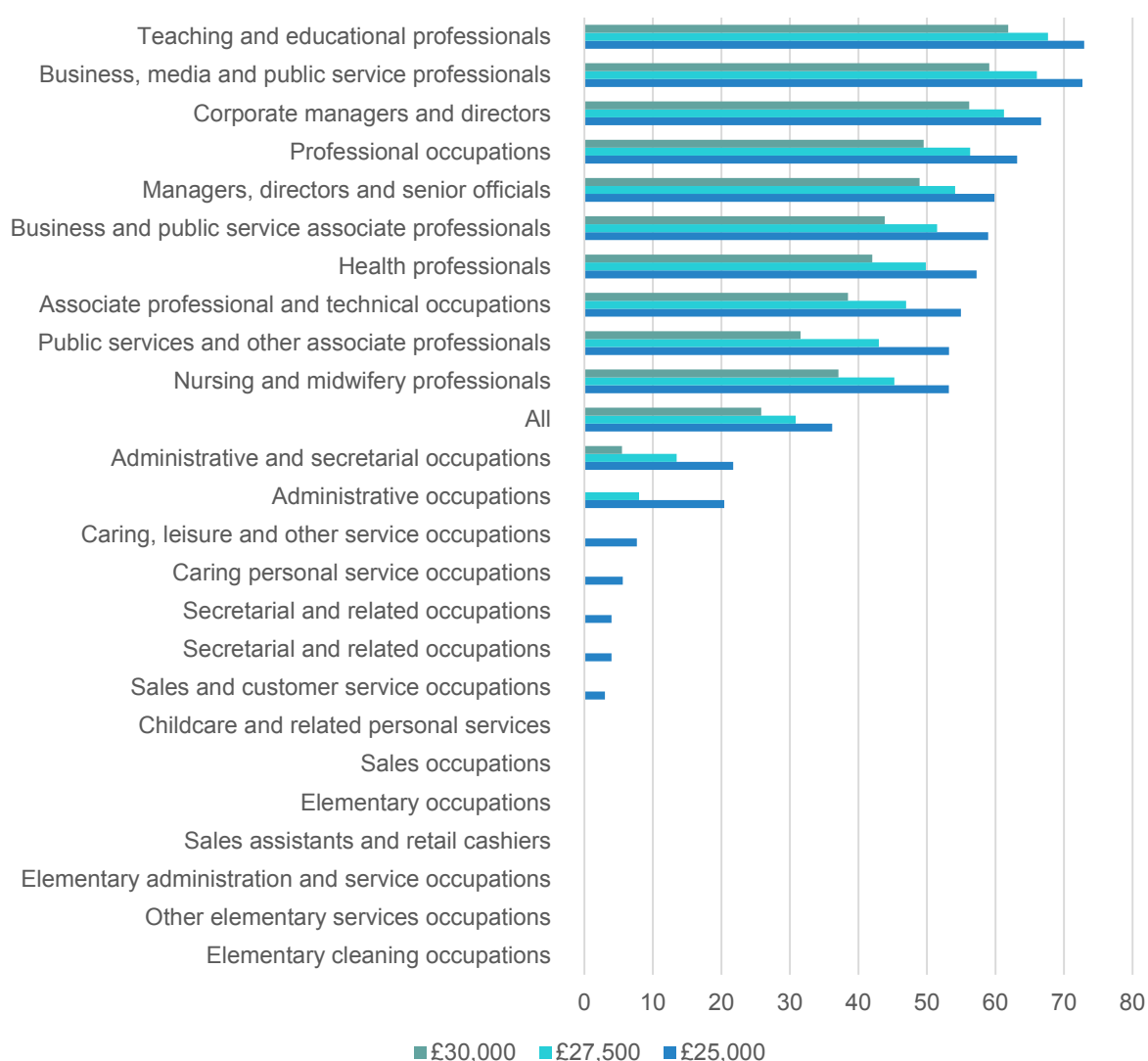
Figure 3.5: Proportion of UK employees with earnings in excess of £30,000 by age



Source: ONS Annual Survey of Hours and Earnings 2018

The Tier 2 salary threshold will have a disproportionate effect on the supply of female migrants. Figure 3.6 shows the proportion of jobs held by women where earnings exceed £30,000 per annum.²⁰ The proportions for women are much lower than those for all workers shown in Figure 3.3, which suggests that women wishing to migrate to Scotland for employment purposes will be significantly less likely than men to earn sufficient to qualify under the Tier 2 proposals.

Figure 3.6: Proportion of female employees in Scotland with annual earnings in excess of £30,000, £27,500 and £25,000



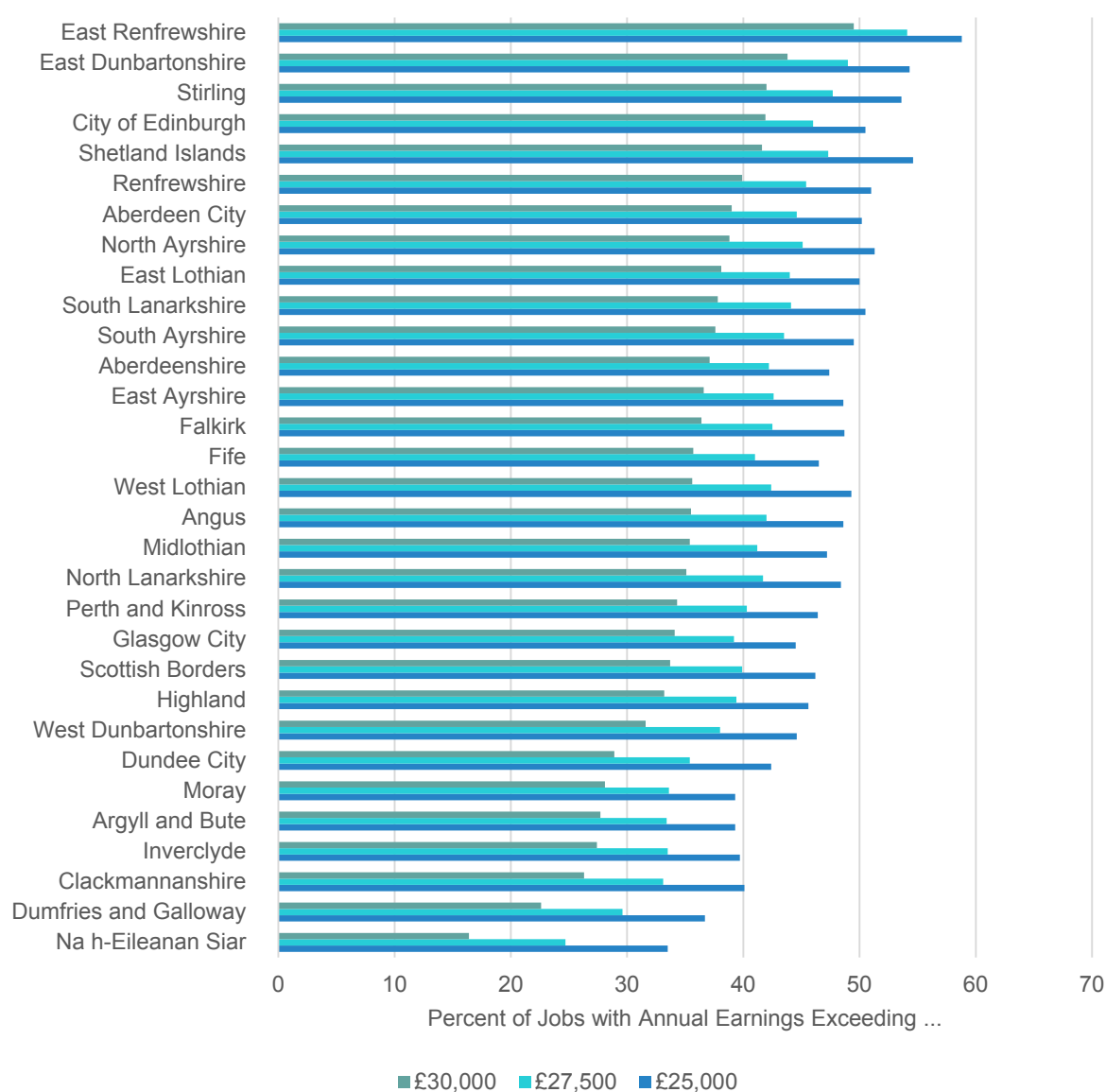
Source: ONS Annual Survey of Hours and Earnings 2018

This in turn has implications for the supply of labour to particular occupations, given that female employment tends to be clustered in a relatively small number of occupations. There is a wide range of occupations where the proportion earning more than a significantly lower threshold of £25,000 is zero. Those occupations where even a moderate proportion of women earn above £30,000 tend to be in professional and/or public sector jobs.

3.4 Spatial Effects

We now examine how the threshold might affect the geographical distribution of migrants across different areas of Scotland. We analysed differences in income across Scotland's local authorities. Figure 3.7 shows the proportions of employee annual earnings which exceeded £30,000, £27,500 or £25,000 in 2018. There is wide variation in this proportion across Scotland's local authorities, ranging from 16% in Na h-Eileanan Siar to 50% in East Renfrewshire. This suggests that few potential migrants to areas such as Na h-Eileanan Siar, Dumfries and Galloway or Clackmannanshire would find jobs with pay levels sufficient to qualify under the proposed Tier 2 thresholds.

Figure 3.7: Proportion of employees in Scottish local authorities with annual earnings in excess of £30,000, £27,500, and £25,000 in 2018



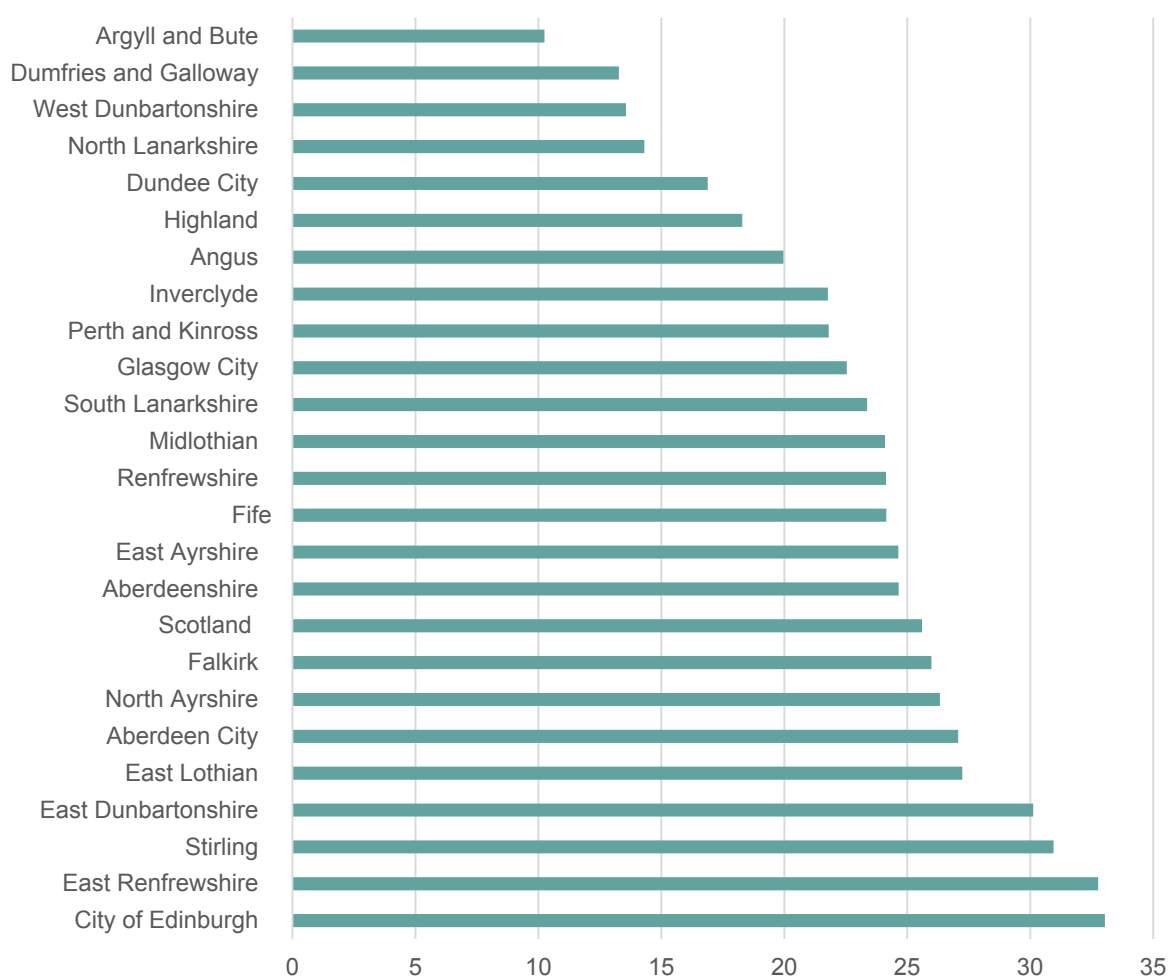
Source: Annual Survey of Hours and Earnings 2018

Figure 3.7 also shows that relaxing the Tier 2 income threshold to £27,500 or £25,000 would substantially increase the range of jobs available to migrants. If the threshold is reduced to £25,000, only five local authorities would have less than 40% of jobs meeting this threshold.

This variation within Scotland is of course repeated elsewhere in the UK. The White Paper proposes that there should be no variation in the income threshold across the UK. Given that it is also acknowledged that migration generally has a beneficial effect on productivity, the lack of access to migrants in areas that already experience low levels of productivity as evidenced by their low wages will further exacerbate economic and social inequality within the UK.

Figure 3.8 shows the proportion of female jobs where earnings exceed £30,000 per annum by local authority. Again there is wide variation across local authorities suggesting that the opportunities for females to migrate to different parts of Scotland to work varies greatly.

Figure 3.8: Proportion of female employees in Scottish local authority areas with annual earnings in excess of £30,000 in 2018²¹



Source: ONS Annual Survey of Hours and Earnings

Summary and Implications

The proposed changes to free movement and to Tier 2 are likely to significantly reduce inflows of EU migrants for the purpose of work. Analysis using ASHE data shows that 63% of employees in Scotland (both UK and non-UK nationals) earn less than the Tier 2 salary threshold of £30,000. If we take possible alternative salary thresholds, the proportions would be 58% (earning less than £27,500) and 53% (earning less than £25,000).

This threshold would affect sectors differentially. In some sectors, such as science, research, engineering and technology, 70% of employees earn over £30,000. By contrast, it is highly unlikely that any jobs in secretarial work, textiles, social care, leisure and travel, sales and elementary occupations would qualify for the £30,000 threshold. We analysed two sectors that are likely to be detrimentally affected: social care and seasonal agriculture. In the social care sector, less than 10% of those in caring personal service occupations in Scotland earn above £25,000, and none earn £30,000. The budgetary pressures faced by local authorities, the main purchaser of social care services, mean that there is little prospect of raising salaries in social care to a level that would attract UK workers. The brunt of these shortages is likely to be borne by friends and family who will have to assume responsibility for care, and especially female family members, whose labour market prospects will be detrimentally affected.

We also looked at the distribution of salaries across age groups, gender, and region. Most of those earning above £30,000 are in their 30s to 40s, with a much smaller proportion (25%) of people in the 22-29 age group earning at this level. Given that migrants tend to be younger than the average population, only a small portion are likely to qualify under the proposed Tier 2 scheme.

We also found a significant gender differential in the distribution of salaries, with a lower proportion of women earning over £30,000 across almost all sectors. Many of the occupations in which women work would not meet the £30,000 or even a potential £25,000 threshold, implying that the proposed Tier 2 arrangements would create a gender disparity in the supply of future migrants.

Finally, there are striking divergences in how salary levels are distributed across areas of Scotland. Thus while 49.5% employees in East Renfrewshire earn above £30,000, only 16% reach this threshold in Na h-Eileanan Siar. This implies that very few immigrants would be able to move to less prosperous local authorities under Tier 2 income thresholds. This would limit labour migration in areas of Scotland that already experience low levels of productivity and face challenges of depopulation.

4

Fiscal effects

4. Fiscal Effects

This chapter analyses the potential effects of reduced EU immigration to Scotland on Scotland's budget. Fiscal impacts are relevant to Scotland both because of the extensive spending powers already held by the Scottish Parliament and because of the new tax and welfare powers which it has assumed following the Scotland Act 2016.

4.1 Static and dynamic approaches to estimating fiscal impact

Reductions in EU migration to Scotland would affect Scotland's budget both by reducing tax revenues and by cutting demand for public services. The size of these effects will be determined by the overall change in net migration.

Analysis of fiscal impacts needs to begin with an evaluation of the current balance of migrant tax revenues and their use of public services in a given fiscal year – the so-called *static assessment*. This contrasts with the *dynamic* or life cycle approach, where revenues and costs are viewed over the length of time the individual is expected to remain in the UK. Estimates of longer-term fiscal effects are reliant on strong assumptions about migrants' future tax contributions and their future use of public services. Note that the static approach treats the cost of educating children as part of the parent's public service costs. With the life-cycle approach, migrants and their children are treated separately.

A detailed analysis of both the static and dynamic approaches to estimating migrants' net fiscal impact was carried out for the MAC by Oxford Economics.²² For the static analysis, it found that EU-15 migrants made an estimated net contribution of £3,740 to the UK fiscal balance in 2016-17, while EU-10 migrants made a net contribution of £1,040. In its dynamic analysis, the study found that EU migrants contributed a net £78,000 to the UK public finances, discounted over their lifetimes. The life-cycle contribution of EU and non-EU migrants who joined the UK labour market in 2016 was estimated to be £26.9 billion.

We were not able to carry out a similarly detailed analysis of the fiscal impacts of EU migrants in Scotland because of both time and data limitations. However, we were able to compare and contrast the characteristics of EU migrants in Scotland with those in the rest of the UK to derive broad conclusions about the applicability of the MAC analysis suitably scaled to Scotland. This discussion therefore concentrates on the relative impact of EU migrants on fiscal outcomes in Scotland compared with the rest of the UK.

First, we consider the relative magnitude of migrants' impact on tax revenues. Only around 8% of those currently resident in Scotland were born outside the UK. In the rest of the UK, this proportion is close to 16%. However, EU migrants make up a much larger proportion of Scotland's migrant population. While those born in the EU comprise 39% of migrants in the rest of the UK, they form 50% of Scotland's migrants. In 2017-18, EU migrants comprised 4.9% of the total Scottish population compared with 6.8% in the rest of the UK. Unless there are significant differences in net fiscal contributions at the individual level, this implies that the aggregate fiscal impact of EU migrants is smaller in Scotland than in the rest of the UK.

At the individual level, earnings are pivotal to the generation of both direct and indirect tax revenues. And since current earnings tend to be good predictors of future earnings, today's wages not only provide the basis for the static assessment of migrants' fiscal impact, they also drive the dynamic assessment. Table 4.1 shows estimates of average weekly earnings drawn from the Labour Force Survey over the period 2016-2018. The estimates cover those born in the UK, EU-15, EU-10 or other foreign-born nationals who are resident either in Scotland or in the rest of the UK.

Table 4.1: Average Weekly Earnings by Area of Birth and Residence (2016-2018)

	Scotland	rUK
UK	£478.60	£494.70
Non-EU	£543.70	£627.90
EU-15	£363.80	£401.30
EU-10	£488.20	£544.20

Source: ONS Labour Force Survey 2016-18

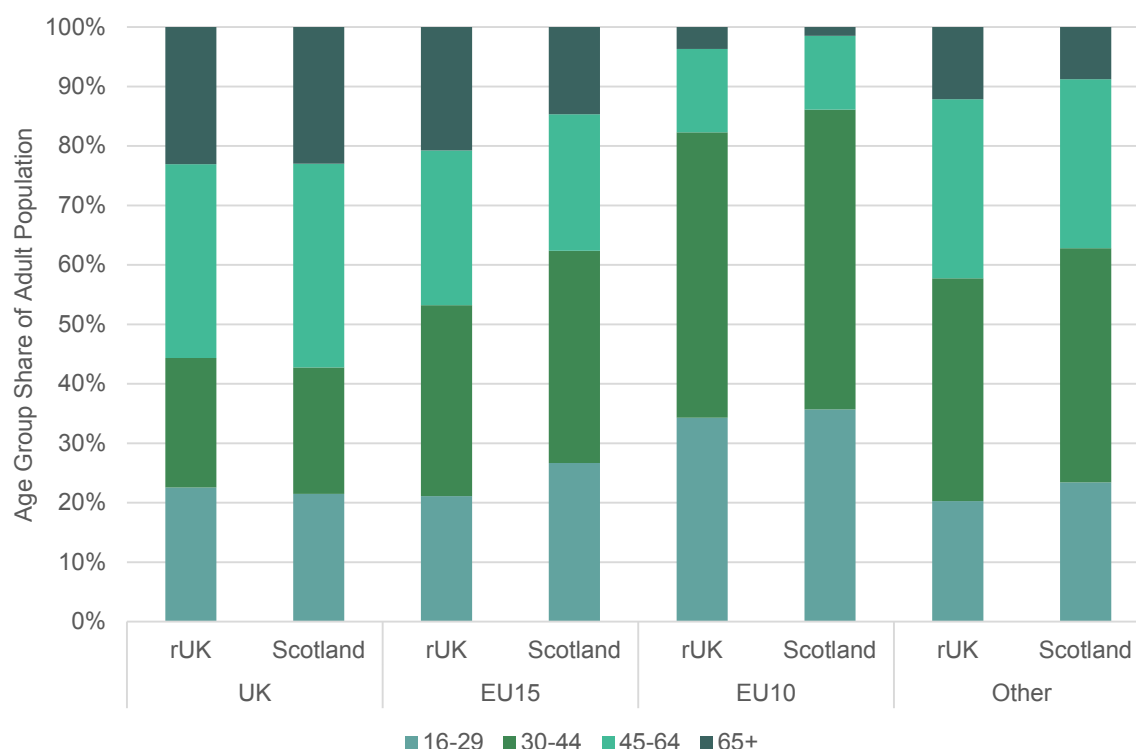
Consistent with other data sources, the earnings of those born in the UK and resident in Scotland are around 3.3% lower than those born in the UK and resident elsewhere in the UK. The gap in migrant earnings is typically much larger, with those born in the EU-15 earning 13.3% less and those born in the EU-10 earning 9.3% less if resident in Scotland rather than in the rest of the UK. Lower earnings are likely to result in lower revenue generation, but the differential depends not only on the difference in mean earnings, but also their distribution. This distribution will interact with the Tier 2 salary limit to determine total tax revenues.

The range of taxes covered by the MAC assessment of the fiscal impact of migrants comprised income tax and national insurance, value-added tax, excise duties, fuel duties, air passenger tax, insurance premium tax, customs duties, betting taxes, vehicle excise and stamp duty on house purchases. The Scottish Government has a range of devolved tax responsibilities. Income tax, which is forecast to raise £11.7 billion in 2019-20, is by far the most important of these revenue sources.²³ Income tax collected from migrants resident in Scotland who are designated as 'Scottish taxpayers' by HMRC depends principally on their income, but will also be affected by their status (employed or self-employed), whether they are working, and by the size of any tax-free contributions that they make to, for example, pensions.

For the dynamic assessment, where an estimate is made of lifetime tax revenues, starting age plays an important role. Migrants who join a new workforce at the beginning of their working life can generate more tax revenues over their careers in the destination country than those who migrate later. As we saw in previous chapters, EU migrants to Scotland are typically younger than those who move to the rest of the UK. This is demonstrated in Figure 4.1, which shows the share of each age group in the relevant population by migrant status and area of residence. The data are drawn from LFS data, so it should be noted that the samples are small. It is apparent that EU-10 migrants to Scotland, with more than 30% of their number in the 16-29 age range, are younger both than the UK-born and other migrants.

Scotland has a larger share in this age range from both the EU-15 and the EU-10 migrant groups. Thus it is not surprising that the mean age of non-UK EU-15 migrants living in Scotland is 3.7 years less than those resident in the rest of the UK: the equivalent age gaps for EU-10 migrants is 1.7 years. If migrants, having arrived in Scotland at an earlier age compared with the rest of the UK, also stay longer (leaving at the same mean age as those in the rest of the UK), their lower levels of earnings will be somewhat offset in the dynamic assessment by their having an extended contribution period. However, there are no readily available statistics to enable comparisons of migrant lengths of stay across different parts of the UK.

Figure 4.1: Age Groups by Size, Area of Birth and Current Residence within UK



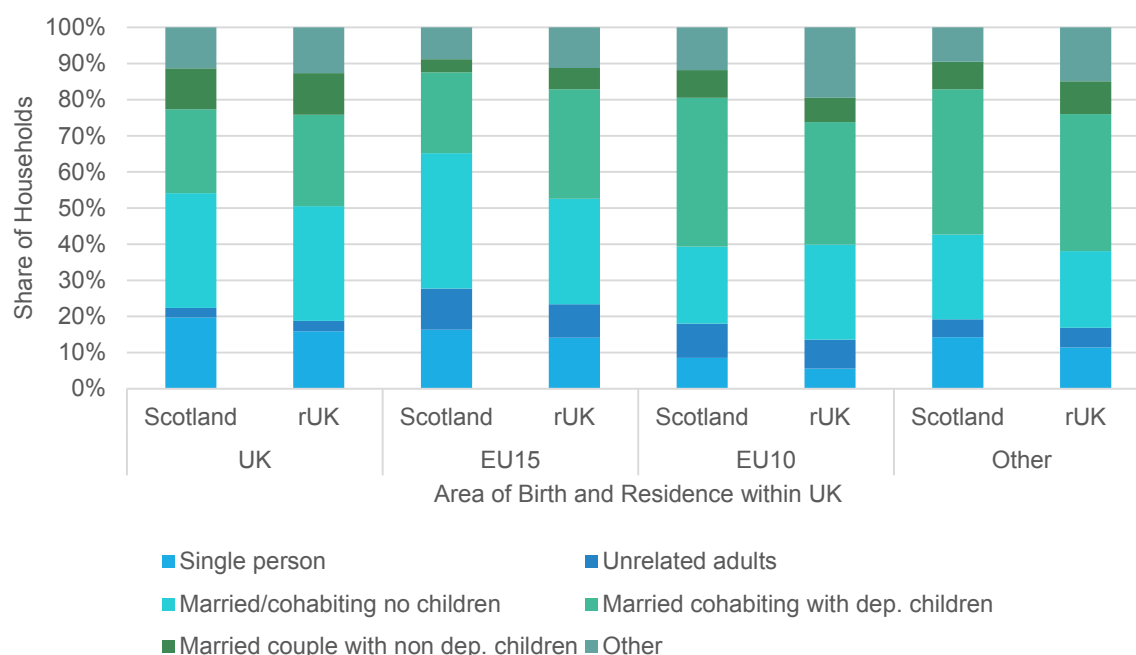
Source: ONS Labour Force Survey 2016-18

Age is also an important predictor of the use of public services. Health and social care expenditure, in particular, rises steeply with age. Figure 4.2 also shows that a lower proportion of migrants in Scotland are aged 65+. This migrant age group comprises 1.9% of the UK population, but only 0.7% of the Scottish population. Amongst those in employment or who are limited by health or disability in seeking work, a lower proportion in Scotland (23.8%) report health problems compared to the rest of the UK (26.3%). This again may reflect the younger mean age of migrants in Scotland. This broadly suggests that EU migrants to Scotland are less likely to place significant burdens on the health system compared with the rest of the UK.

In the static assessment, these differences may partly offset the effect of lower earnings on the net fiscal balance compared with the rest of the UK. The dynamic case is again uncertain in the absence of information on differences in mean migrant length of stay between Scotland and the UK.

Although EU migrants in Scotland may make less use of the health and social care systems, they may use other public services more intensively. Education is an obvious candidate. In the static analysis, the MAC approach is to focus on the 'accountable adult', whose usage of public services includes public service costs incurred by dependents. Given the age distribution of EU migrants, this will principally be children's consumption of education services. Household composition provides a first approximation to differences in levels of demand for education services. Figure 4.2 shows household composition by area of birth and area of residence within the UK. These estimates are derived from LFS data covering the period 2015-2018 to generate a large sample. Although there is a higher proportion of migrants to Scotland that are single or living as unrelated adults, the proportion of all migrants that are married or cohabiting with dependent children is exactly the same (37%) in Scotland as in rUK.

Figure 4.2: Household Composition by Area of Birth and Current Residence in UK



Source: ONS Labour Force Survey

Although this evidence is indirect and neglects issues such as differences in age and number of children, it suggests that there are unlikely to be substantial differences in the take-up of educational services between 'accountable adult' EU migrants in Scotland and those in the rest of the UK.

The general conclusion from this analysis is that the net fiscal contribution of EU migrants to Scotland is likely to be less positive than that for EU migrants across the UK as a whole. While the characteristics of EU migrants in Scotland and the rest of the UK are in many respects similar, lower wages in Scotland are likely to be the main driver of a lower net fiscal contribution. However, wages for the UK-born population are lower in Scotland than in the rest of the UK and hence the *relative* fiscal contribution of EU migrants is still likely to be positive.

4.2 Distribution of fiscal costs and benefits

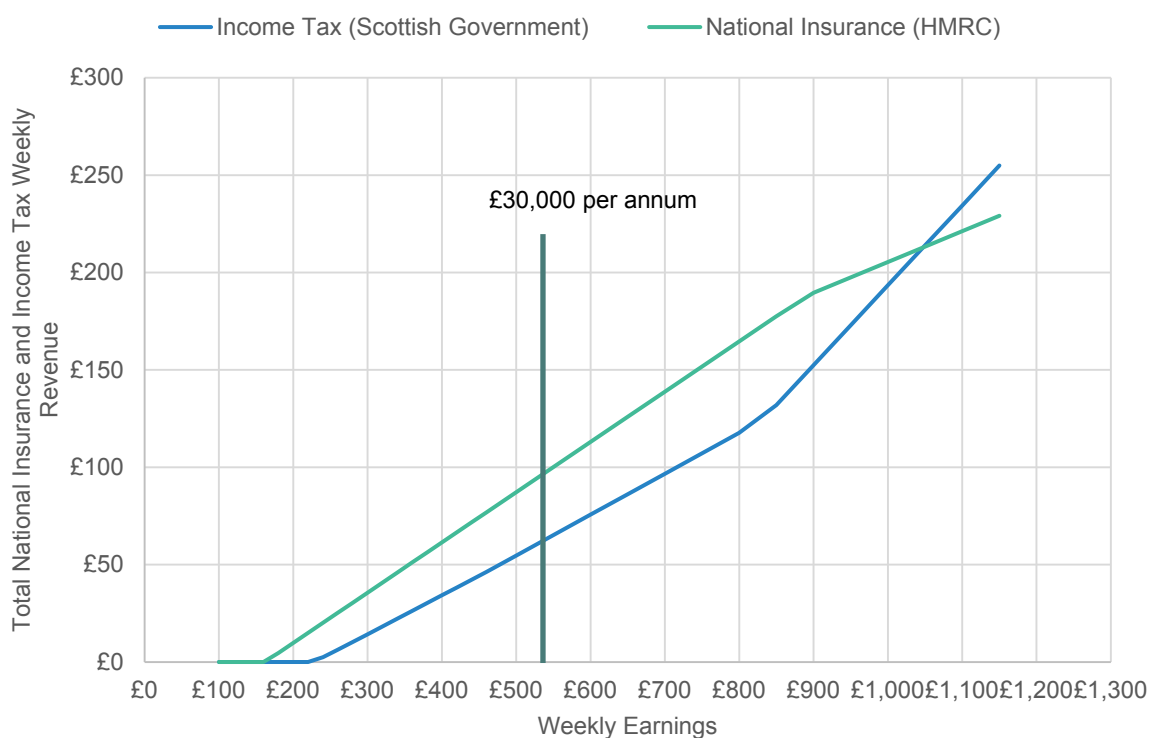
We now consider how the fiscal costs and benefits of migration are shared between the Scottish and UK Governments. It is important to understand these costs because they reveal how the fiscal risks associated with migration are allocated between Scotland and the rest of the UK. Scotland differs from other parts of the UK in its extensive tax and welfare powers. It therefore bears more of the fiscal risk associated with migrant flows than do other parts of the UK.

Scotland acquired additional tax and welfare powers following the passing of the Scotland Act 2016. It already had wide spending responsibilities covering spending programs such as health, education and local government. The fiscal effects of net immigration to Scotland are shared between the two governments. Establishing the size and direction of these effects is complex.

Take, for example, tax revenues. Migrant National Insurance (NI), both employer and employee contributions, is retained by the UK Government. Migrant income tax, on the other hand, forms part of the Scottish Government's revenues. The major indirect tax, VAT, will soon be shared equally between the Scottish and UK Governments. Once the Scotland Act 2016 is fully implemented, the Scottish Government will raise around 40% of its total revenue.

Figure 4.4 shows how employers' and employees' combined contributions to NI and income tax will vary with weekly earnings during tax year 2019-20. At the proposed Tier 2 earnings limit of £30,000 per annum, migrants to Scotland and their employers would be paying around £70 per week in income tax and £105 per week in NI. Thus, at this level of income, migrants would be contributing slightly more in direct taxes to the UK Government than to the Scottish Government. However, contributions to the Scottish Government exceed those to the UK once earnings rise above £1,050 per week (£54,800 per annum).

Figure 4.4 Direct Taxation: Revenue Contributions to UK and Scottish Governments



Migration also has a more subtle effect on Scotland's revenues. By contributing to an increase in population, migrants affect Scotland's block grant allocation through the Barnett formula. This grant is adjusted upwards by Scotland's share of the UK population multiplied by any increase in UK Government spending on "comparable" programmes, such as health and education. Positive net migration adds to Scotland's share of the UK population and would increase its allocation from the UK Government so long as spending is increasing. A standstill in spending would mean that spending to cover public service use by migrants would be charged solely against Scottish Government tax revenues. We therefore suggest that analyses of the net fiscal effect of migration should take account of how migrants affect revenue raising and spending on public services at *all* affected levels of government.

Summary and Implications

An initial exploration of the fiscal impact of EU migrants in Scotland can only provide basic clues as to its direction. However, the evidence of differences between the volume and characteristics of migrants in Scotland compared to the rest of the UK are unlikely to substantially contradict the conclusions of the assessment of the fiscal impact for the UK carried out for the MAC. This would imply that EU migrants have a net positive fiscal impact on the Scottish economy. What has been established is that the volume of migrants in general, and EU migrants in particular, is relatively smaller in Scotland than in the rest of the UK. If, as the MAC study implies, migrants are making a positive contribution to the overall UK fiscal balance, increasing the volume of EU migrants to Scotland would boost tax revenues relative to public spending in both Scotland and the UK as a whole. Conversely, introducing the changes proposed in the White Paper would have a negative effect on this balance.

At the individual level, EU migrants earn less in Scotland than in the rest of the UK. This implies that tax revenues per head are likely to be lower. In turn, this implies that both the static and dynamic assessments of their individual fiscal contributions will be lower than for the UK as a whole. However, this effect may be somewhat offset by their younger age, which also has positive fiscal implications, at least in the static assessment, in relation to their lower demand for health and social care services compared with EU migrants in the rest of the UK. Finally, a rough assessment of the demands placed on educational services does not suggest substantive differences between Scotland and the rest of the UK.

Thus we are left with the tentative conclusion that EU migrants to Scotland make a positive fiscal impact. This may be somewhat less than the MAC estimated contributions of £3740 per head for the EU-15, and £1040 per head for the EU-10, in 2016-17, but is still likely to be significantly higher than the contribution made by the UK-born population, which the MAC estimates to be negative for the UK as a whole, at -£70 per head.²⁴

However, we also noted the importance of understanding the distribution of revenue and expenditure associated with migrants between Scotland and the rest of the UK. While Scotland is responsible for providing migrants with many public services, it may only appropriate a portion of revenue from migrants. This implies the need for a more nuanced analysis of the spatial distribution of the fiscal benefits of immigration.

5

Demographic effects

5. Demographic Effects

This chapter investigates how the proposed changes to immigration will affect the Scottish population. We start by providing a brief overview of population trends in Scotland over the past decades, and then analyse different scenarios of how changes to migration will affect Scotland over the coming two decades. This Scotland-level analysis is complemented by an examination of the spatial distribution of migrants and the effects on population in local areas. We analyse the demographic effects of migration in urban, rural and remote areas across Scotland, and consider how the proposed changes might affect different types of communities.

5.1 Population analysis

Population change

Over the last half-century Scotland's population has increased from 5.20 million in 1967 to 5.42 million in 2017 (Figure 5.1). However, the growth rate has varied significantly over these decades. While population growth was positive for short periods in the late 1960s and early 1970s and also during the early 1990s, Scotland's population declined for most of the 1970s, 1980s and 1990s (Figure 5.2). By 2000, Scotland's population had declined to 5.07 million. This decline launched a debate in the re-established Scottish Parliament on the long-run sustainability of Scotland's population. However, this trend began to change in the first decade of this century, and between 2000 and 2017 Scotland's population witnessed a significant increase in its size of 7%.

Figure 5.1. Scotland's population, 1967-2017



Source: NRS

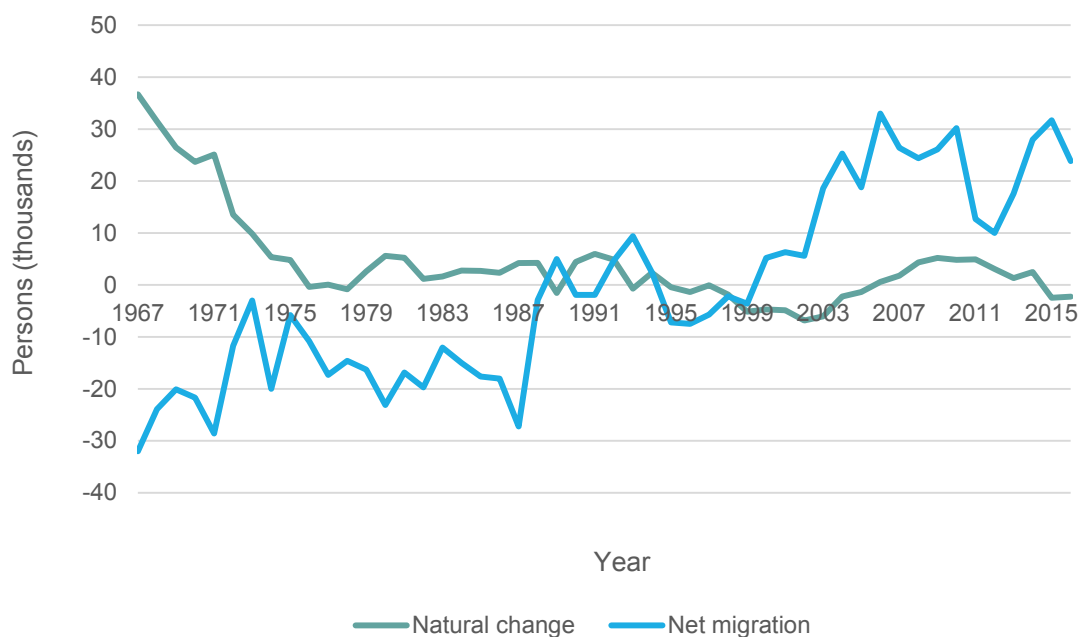
Figure 5.2. Annual population growth in Scotland, 1967-2017



Source: NRS

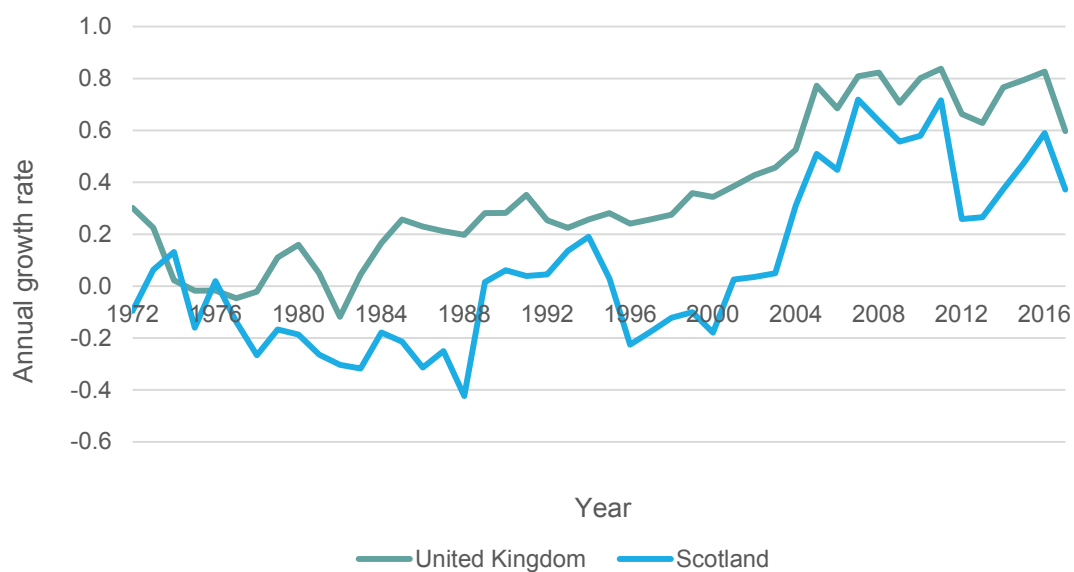
Migration has been the major driver of population change over the past four decades. Substantial out-migration from Scotland accounted for population decline in the 1970s and 1980s, whereas recent population growth is largely attributed to significant in-migration flows to Scotland. Natural change (birth minus deaths) has been marginally positive over the past forty years, although it was negative in the first years of this century and has become negative again in the last few years (Figure 5.3). The comparison of Scotland to the rest of the UK shows that recent trends in population growth have been similar in the four nations of the UK. However, unlike in the other nations, Scotland has experienced population growth only in the last two decades and the growth has been smaller than the average growth of the UK's population (Figure 5.4).

Figure 5.3. Components of population change in Scotland, 1967-2017



Source: ONS, NRS

Figure 5.4 Annual population growth in Scotland and the UK, 1971-2017

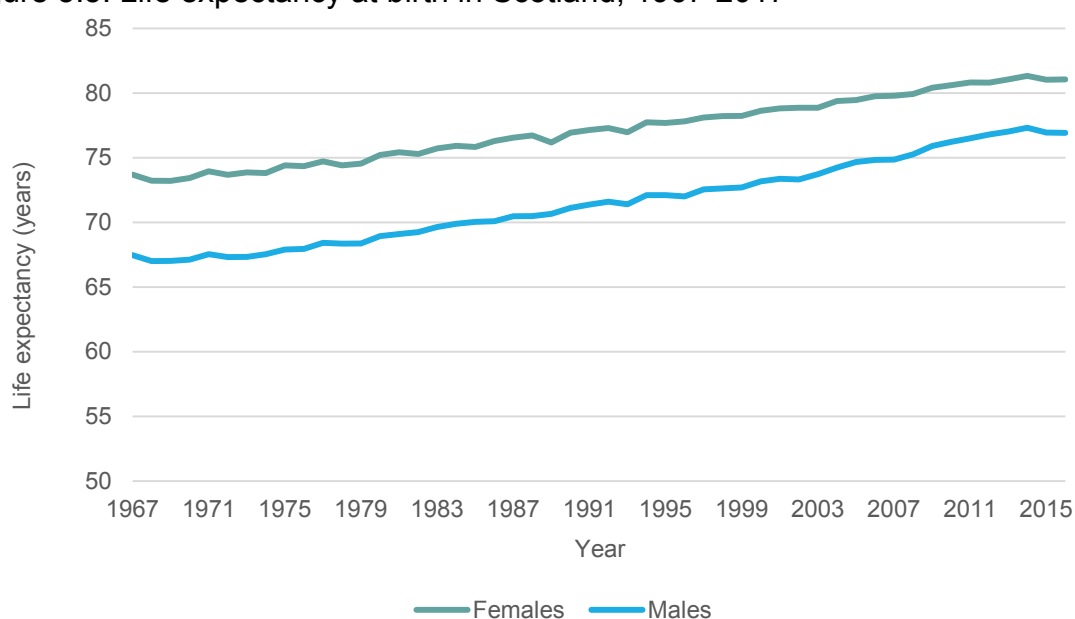


Source: ONS

Mortality and fertility

Mortality has declined and life expectancy has increased in Scotland over the past fifty years. The life expectancy at birth was 70.65 in 1967, whereas the figure was 79.03 in 2016, an increase of 8.4 years over a half-century (or 1.7 years per decade). There are significant differences in life expectancy between sexes; on average, women live four to six years longer than men (Figure 5.5). The comparison of Scotland with the UK shows that life expectancy in Scotland is shorter both for males and females; in 2016, the differences were 1.8 and 2.3 years, respectively. The cause-specific analysis shows that higher cardiovascular and cancer mortality in Scotland explains most of the differences in life expectancy between Scotland and the rest of the UK.

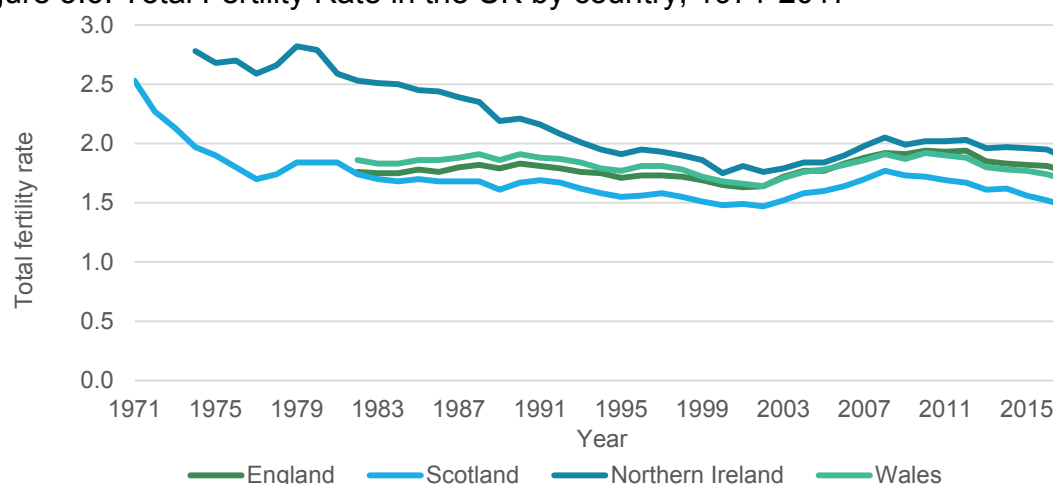
Figure 5.5. Life expectancy at birth in Scotland, 1967-2017



Source: Human mortality database

Significant changes have also taken place in fertility levels. In 1967, at the heyday of the post-war baby boom, the total fertility rate (TFR) was 3.0 in Scotland. TFR measures the average number of children for a synthetic cohort of women in a particular year. Fertility declined significantly in the late 1960s and 1970s reaching the level of 1.7 in 1977 (Figure 5.6). Gradual decline continued during the last two decades of the twentieth century, and by 2002 the TFR had fallen to as low as 1.47. The first decade of this century witnessed a significant increase in fertility levels; in 2008, the TFR was 1.77. Thereafter, fertility declined again and the latest data (2017) report the figure of 1.47.

Figure 5.6. Total Fertility Rate in the UK by country, 1971-2017



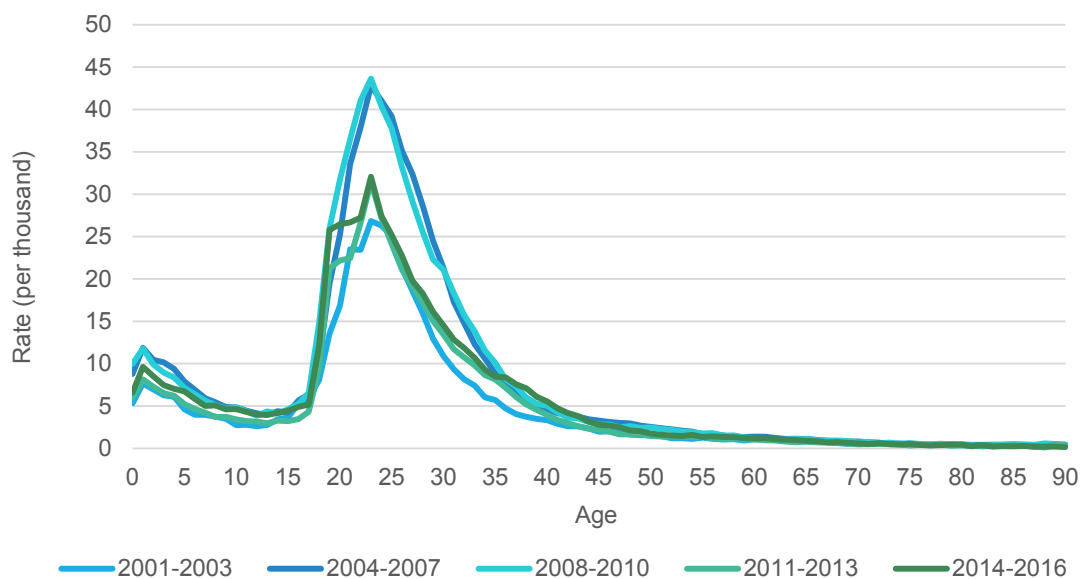
Source: ONS

Again, fertility trends in Scotland have been similar to those in rUK in the past decades, except that fertility has remained at a lower level in Scotland compared to elsewhere in the UK. The average completed family size (or TCFR) has also declined over the past years, implying that the decline in the TFR is driven by reduced family size rather than the postponement of childbearing to later ages. While women born in 1951 had 2.03 children by age 44, those born in 1971 had 1.74 children by age 44. The implication of this is that fertility levels in Scotland are too low to replace generations in the long run.

International migration

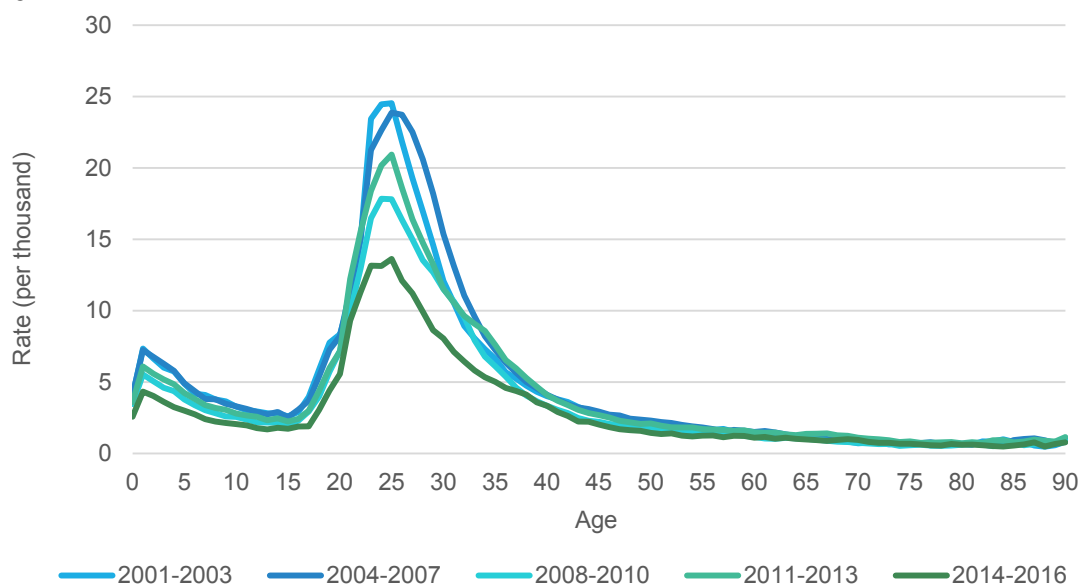
As we saw in Chapter 2, Scotland experienced a prolonged period of emigration in the last three decades of the twentieth century, which was reversed from around 2001 onwards. Net migration has been positive for both international and UK migration streams, averaging at a total of around 21,000 per year. Chapter 2 also showed that migrants to Scotland have a relatively young age profile. Migration between Scotland and overseas (including the EU) is dominated by those in their 20s (Figure 5.7 and 5.8).

Figure 5.7. In-migration rate in Scotland from overseas by age (1-year groups), 2001-2016



Source: NRS

Figure 5.8. Out-migration rate in Scotland to overseas by age (1-year groups), 2001-2016

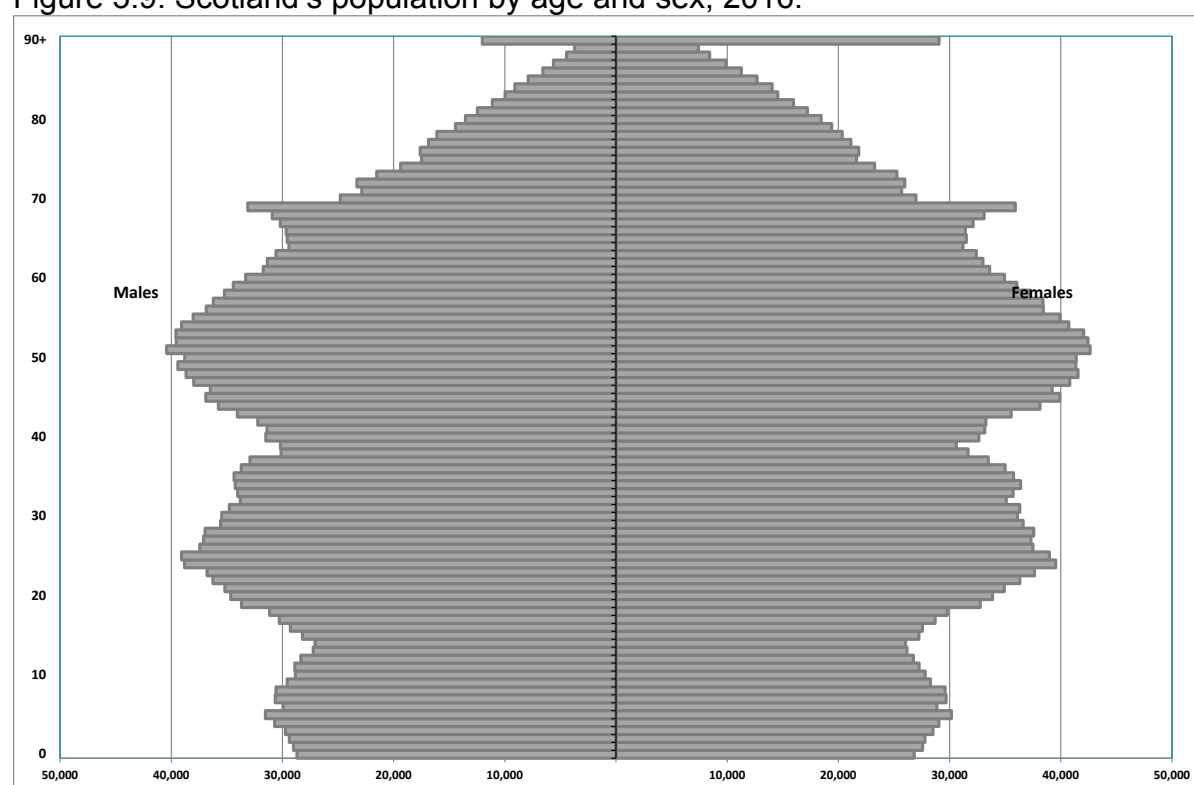


Source: NRS

Population composition

Past demographic processes have also shaped the structure of Scotland's population. Those born in the 1960s form the largest cohort among the Scottish population, followed by their children or those who are currently in their mid-twenties (Figure 5.9). The number of individuals aged 65 to 69 is also large, indicating higher fertility levels shortly after World War II. The 'waves' in the age structure of Scotland's population are not surprising; however, the baby boomers' children cohort is smaller than their parents' cohort and their children's cohort is even smaller. This is most likely related to both the significant decline in fertility levels in the late 1960s and high emigration rates, which characterised Scotland in the last three decades of the twentieth century.

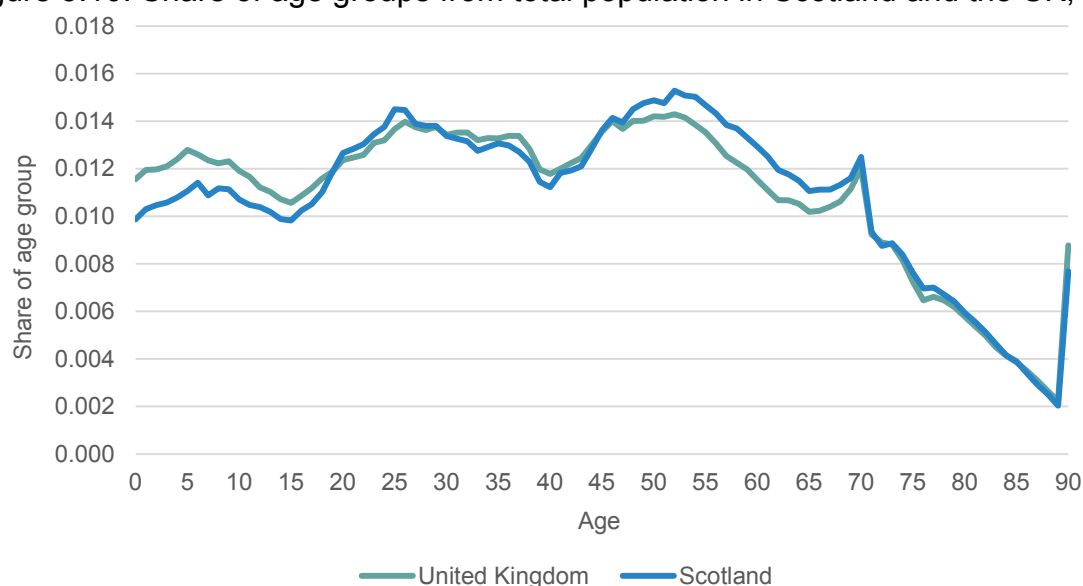
Figure 5.9. Scotland's population by age and sex, 2016.



Source: NRS

The comparison of Scotland's age structure to that of the UK shows that the share of baby boomers is larger in the Scottish population and the relative size of the youngest age groups is smaller than in the UK's total population (Figure 5.10). Population ageing is thus going to be more pronounced in Scotland than in the UK as a whole.

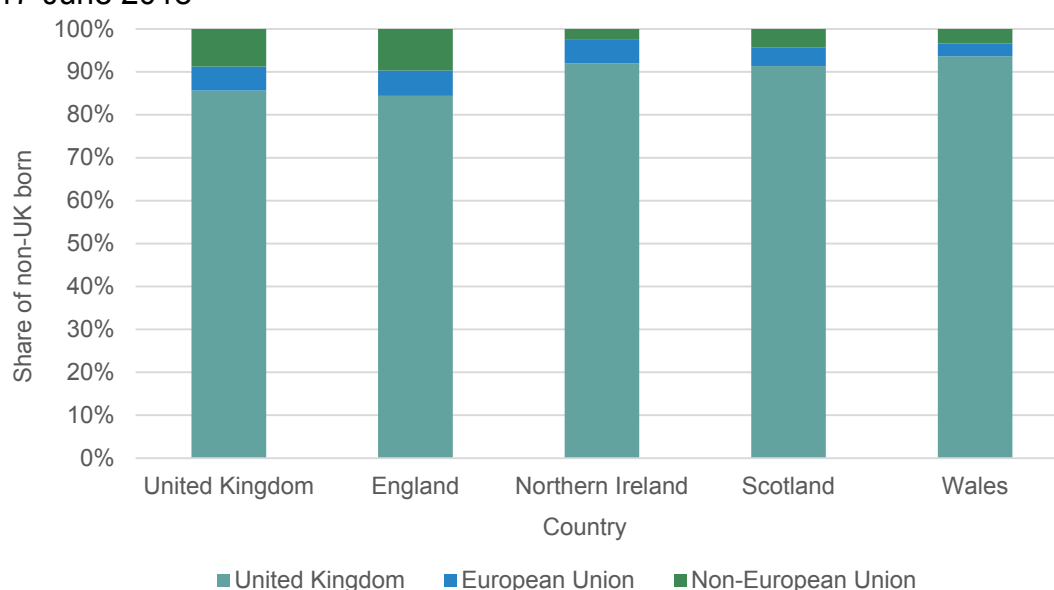
Figure 5.10. Share of age groups from total population in Scotland and the UK, 2017



Source: ONS, NRS

Increased immigration and positive net migration over the past two decades have led to a significant increase in the share of the foreign-born population. In 2018, there were 460,000 non-UK born individuals in Scotland (with a confidence interval of $\pm 25,000$); they formed 9% of the total population, compared to 14% of the population in the UK as a whole (Figure 5.11). Half of the foreign-born individuals in Scotland came from EU countries, whereas the share of EU-born individuals was two-fifths for the UK as a whole. Scotland has fewer immigrants than the rest of the UK, especially England, but a larger share of them come from other EU countries.

Figure 5.11. The Share of non-UK born population in Scotland and the UK, July 2017-June 2018



Source: ONS

5.2 Population projection

Methods and assumptions

In order to estimate the effects of the proposed policy changes on population trends, we conducted a population projection using the cohort component method as implemented in the Popgroup projection software (Edge Analytics 2018). We adopted the deterministic approach but conduct a series of projections to also deal with uncertainty (UNECE 2018). Our aim is not to predict the future, but rather to project changes in population size and structure conditional on different assumptions about future migration streams to Scotland. We used the 2016 ONS and NRS population projection as the baseline, which is the latest projection available. We prepared several projection variants, which are based on different assumptions of future migration to and from Scotland. We conducted a population projection until 2041.

The assumptions of the NRS 2016-based principal population projection are as follows:

- Fertility rates (the TFR) are expected to gradually increase from 1.49 in 2016 to 1.65 in 2041.
- Mortality rates are projected to decline, although the decline will be slower than in the past; the life expectancy at birth will increase from 77.0 for males and 81.1 for females in 2016 to 81.7 and 84.5 in 2041, respectively.
- Migration from overseas to Scotland is assumed to slightly decline over the next few years – 30,000 individuals are expected to arrive in Scotland annually (from 2022 onwards); out-migration will be 23,000 individuals annually; overseas net migration is projected to be +7,000 individuals a year. Long-term migration between Scotland and overseas is calculated using a 25-year average of migration trends. Additionally, annual net migration between Scotland and the rest of the UK is projected to be between +7,400 and +8,000 per year over the next 25 years.

We use the same assumptions about fertility, mortality and migration in the rest of the UK as the ONS/NRS principal population projection for Scotland. However, we use different assumptions about migration to and from overseas, based on the analysis set out in Chapter 2. Our baseline projection assumes that overseas migration flows remain the same as they have been in the past five years (using the five-year averages for in- and out-migration), so similar to the average migration flows between 2001 and 2017. These estimates are much higher than in the NRS principal projection; however, they allow us to measure the effect of changing migration flows on population size and structure, as a result of expected policy changes.

We will develop six variants (including the baseline):

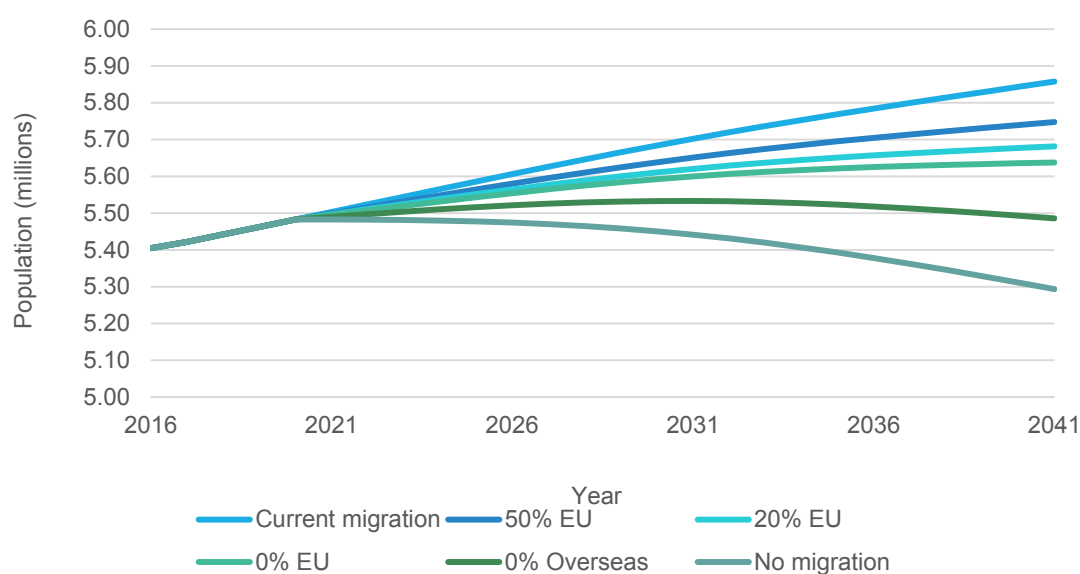
- Current migration: the annual number of migrants will be as follows: 34,500 immigrants, 21,500 emigrants, implying overseas net migration at +13,000. (15,500 immigrants come from the EU countries annually and 7,500 leave for the EU with net migration of +8,000).

- 50% EU: Migration to and from the EU countries will decline by 50% after 2020. This corresponds to scenario 2 set out in Chapter 2.
- 20% EU: Migration to and from the EU countries will decline by 80% after 2020. This corresponds to scenario 1 set out in Chapter 2.
- 0% EU: There will be no migration from and to the EU after 2020.
- 0% Overseas: There will be no overseas migration after 2020.
- No migration: There will be no overseas migration and migration to and from the rest of the UK after 2020. This variant is developed to illustrate the effect of (mostly) past demographic changes, accumulated in the population's age-sex structure, on the future development of Scotland's population.

Projection results

Five variants out of the six show an increase in Scotland's population (Figure 5.12). The size of the Scottish population is projected to increase 8% in the next 25 years for the current migration variant and 2% to 6% for the reduced migration scenarios. With no migration from overseas and the rest of the UK, Scotland's population will decline.

Figure 5.12. Projected Scotland's population, 2016-2041

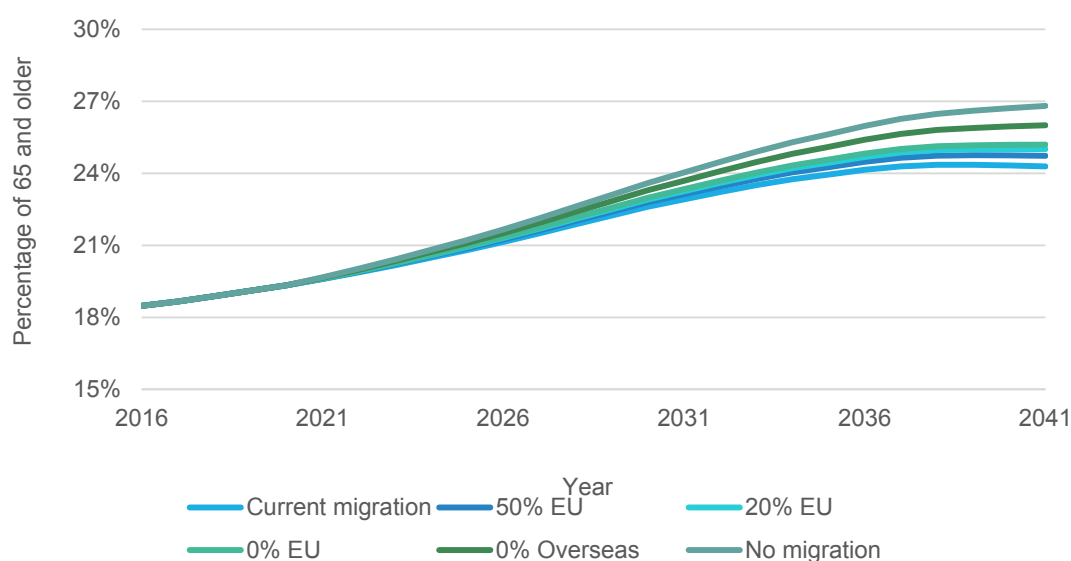


Source: Expert Advisory Group on Migration and Population

Significant changes will take place in population composition by age. The share of people 65 and older is projected to increase from the current 18% to more than one-fourth in 2041 (Figure 5.13). Interestingly, the differences in projected elderly population are not very large between variants, although the zero overseas migration (0% overseas) and zero migration scenario (no migration) will accelerate population ageing.

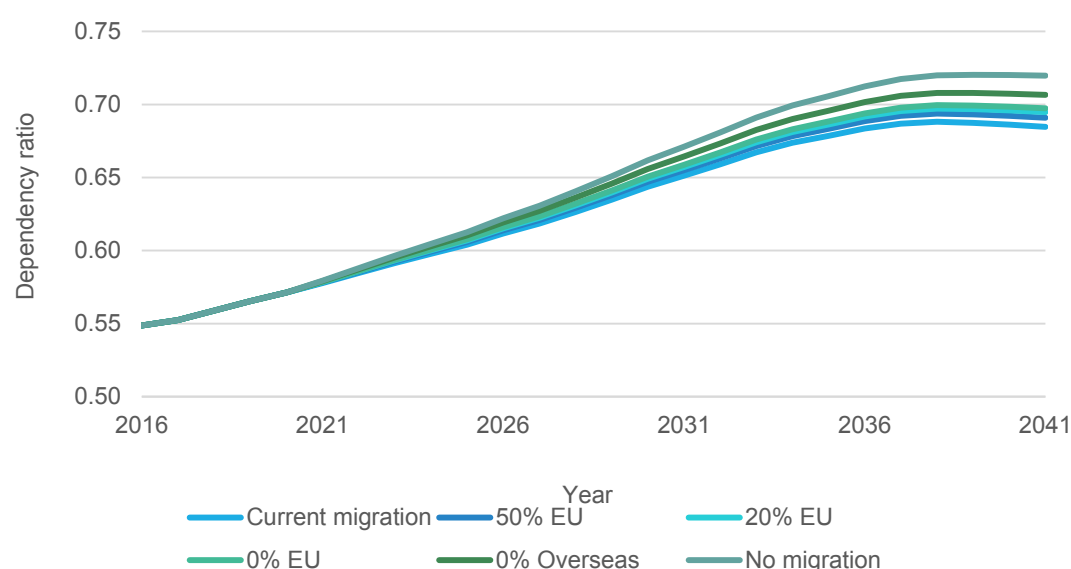
The dependency ratio (the ratio of individuals aged 0-15 and 65+ to that of 16-64) and the old age dependency ratio (the ratio of individuals aged 65+ to that of 16-64) provides another way of exploring population ageing (Figures 5.14 and 5.15). The share of people aged 65 and over is projected to increase from 29 per 100 to between 41 and 46 per 100 in the next two decades. The projection does not consider the planned change in pension age. Again, the variation is not large between the different variants, although the increase in the old age dependency ratio is largest for the zero migration scenario.

Figure 5.13. Projected share of individuals 65 and older in Scotland, 2016-2041.



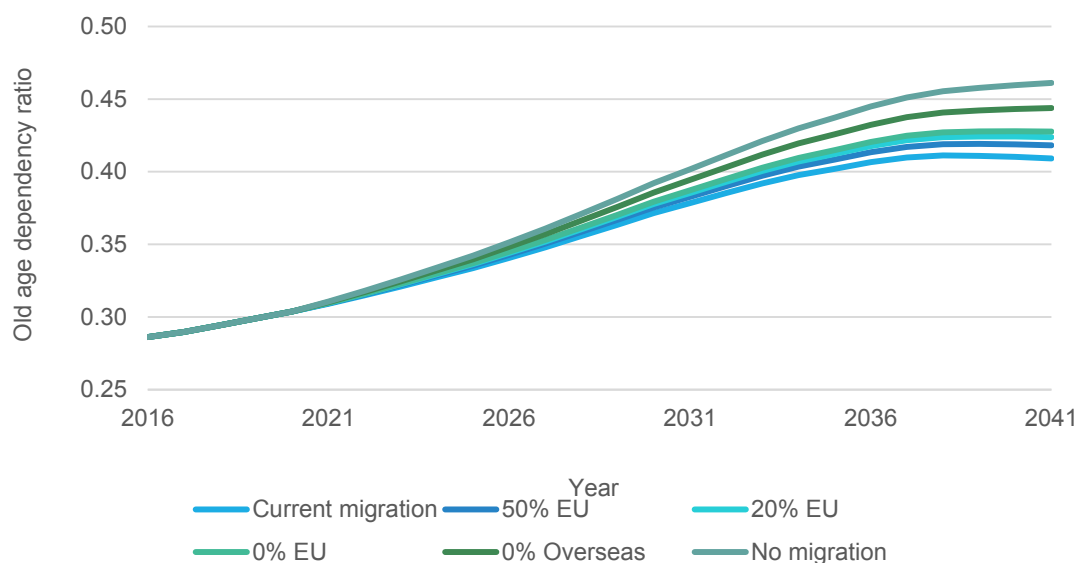
Source: Expert Advisory Group on Migration and Population

Figure 5.14. Projected dependency ratio in Scotland, 2016-2041.



Source: Expert Advisory Group on Migration and Population

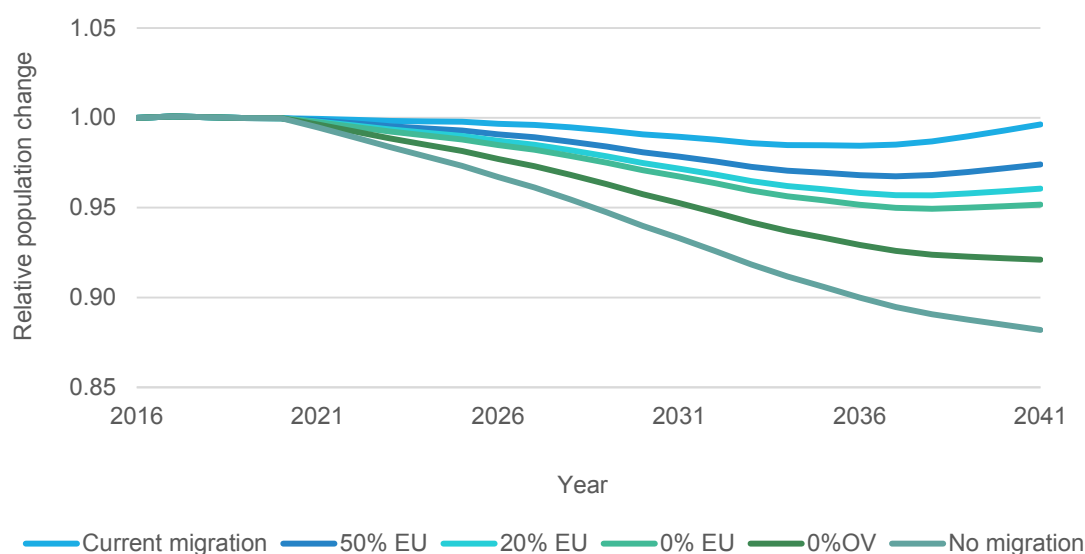
Figure 5.15. Projected old age dependency ratio in Scotland, 2016-2041.



Source: Expert Advisory Group on Migration and Population

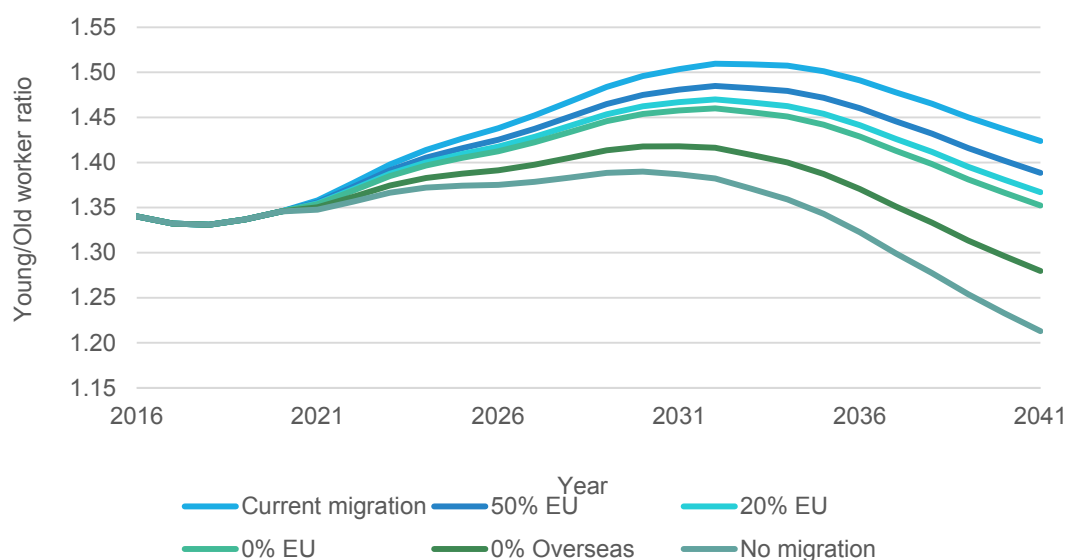
Migration will have relatively little impact on the general trend of population ageing; however, it will significantly shape the size and the composition of the working age population (individuals currently aged 16-64). The analysis shows that with current migration levels the working age population would stay stable in the next 25 years (Figure 5.16). With reduced EU immigration it is projected to decline by between 3% and 5%, with no overseas migration by 8%, and with no migration to Scotland by 12%. The working age population is also expected to age, although the trends are more complex than anticipated. The analysis shows that the ratio of younger working age population (16-44) to older working population (45-64) would increase for all six variants, although the increase would be modest for the no migration variants (0% overseas and no migration in Figure 5.17). Interestingly, however, this ratio is projected to decline in the 2030s and the decline will be pronounced for the 'no migration' or the 'UK migration only' scenarios. This indicates the importance of overseas migration in shaping the composition of the working age population.

Figure 5.16. Projected relative change of individuals aged 16-64 in Scotland, 2016-2041



Source: Expert Advisory Group on Migration and Population

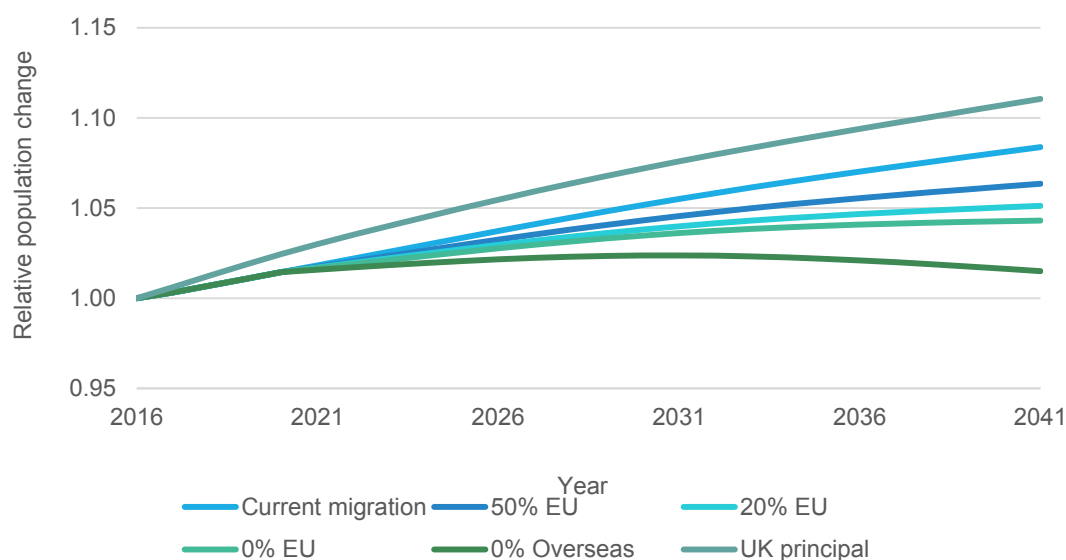
Figure 5.17. Projected ratio of population aged 16-44 to aged 45-64 in Scotland, 2016-2041



Source: Expert Advisory Group on Migration and Population

We can also compare projected changes in Scotland's population to those of the UK. We use the 2016 ONS principal projection and selected projection variants for Scotland. The ONS principal projection assumes that migration to the UK will decline by one-fourth post-2020. According to the principal variant, the UK's population is projected to increase by more than one-tenth in the next two decades, whereas Scotland's population will grow by 5% according to the ONS/NRS projections (with declining migration flows; Figure A7 in Annex A) and 8% if the current migration levels persist (Figure 5.18).

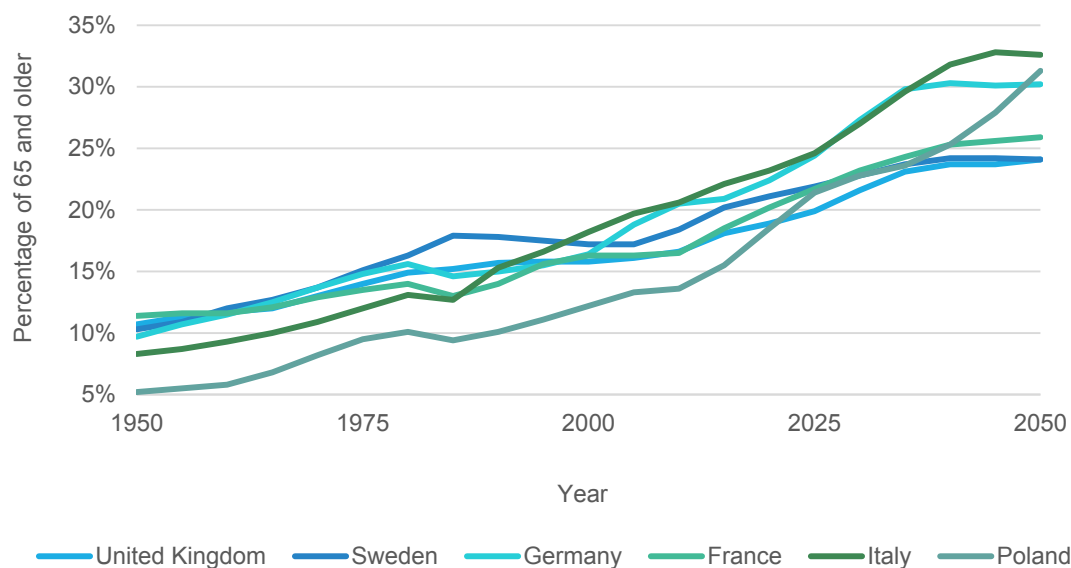
Figure 5.18. Projected relative population change in the UK and Scotland, 2016-2041.



Source: Expert Advisory Group on Migration and Population

Interestingly, while the working age population is projected to decline in Scotland unless overseas migration stays at the current level, the number of individuals aged 16-64 in the UK will increase slightly according to the ONS/NRS principal projection variant, which assumes declining migration trends. Moreover, the ratio of younger working age population (16-44) to older working population (45-64), which is higher in the UK than in Scotland, is projected to remain stable in the UK in the next decades, whereas this ratio is expected to decline in Scotland in the 2030s for reduced migration scenarios. Clearly, migration has been and will continue to be an important factor to ensure the stable size and age composition of Scotland's working age population in the future. The share of people aged 65 and older is projected to increase in similar rates in the UK, Scotland and also in other European countries, although the figures will be slightly lower for the UK (Figure 5.19).

Figure 5.19. Percentage of individuals 65 and older in selected European countries, 1950-2050



Source: UN Population Division, 2008

5.3 Population and migration in local areas of Scotland

Thus far, we have set out aggregate-level population projections for Scotland as a whole. However, current migration flows have a differential spatial impact. Moreover, as we saw in Chapter 3, the proposed new rules on immigration would have differentiated effects on migration to local areas. It is therefore important to consider how the changes would affect different types of areas in Scotland, especially those that are already in a relatively fragile situation in terms of their demographic and economic future.

Although regional demographic trends do not feature among the objectives of UK migration policy, they are very important in relation to the Scottish Parliament's devolved responsibilities for regional economic and social development. Indeed, in recent years Scottish economic policy has increasingly emphasised the twin goals of economic growth and reductions in inequality (both between individuals, and between places). This ethos is summed up by the term “inclusive growth”, and it forms one of the four key priorities of Scotland's Economic Strategy.²⁵ More specifically a concern to ensure that prosperity is shared by all parts of the country is reflected in the establishment of Regional Economic Partnerships,²⁶ the local plan requirements of the most recent National Planning Guidance Framework,²⁷ and the upcoming National Islands Plan.²⁸

Available evidence on the geography of migration in general, and EU migration in particular, is sparse, and requires careful interpretation. Almost all the data on which this section relies is available for Scotland's 32 local authorities, but not at any finer geographical resolution which could facilitate an accurate analysis of urban-rural differences. However, broad contrasts can be explored on the basis of the recently published RESAS classification of Council Areas, which groups the Scottish council areas into the following four types:

- Larger Cities
- Urban with Substantial Rural
- Mainly Rural
- Islands and Remote Rural

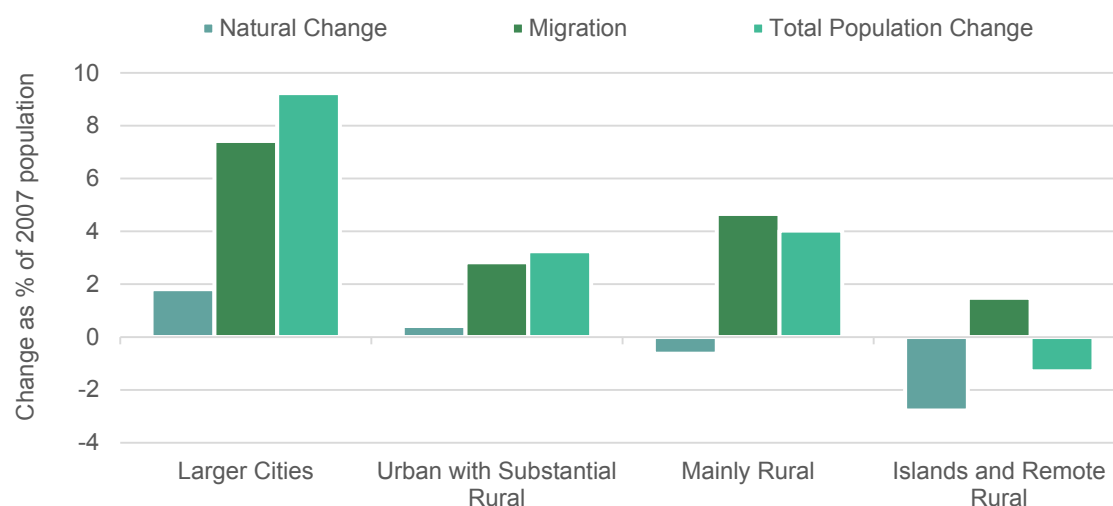
In addition, the mapping of selected variables at local authority level is helpful in highlighting geographic patterns which are to a degree independent of the broad categories of this council area classification.

Key features of demographic change in different parts of Scotland 2007-17

Over the past decade total population change is estimated to have been positive in three of the four categories of Council Areas. The exception is the islands and remote rural category, which have (overall) shown a decline of 1.3% in their total population. Taking the two components of population (natural change and migration) separately, it is clear that the two more urban groups of council area have a relatively positive situation and dynamic, benefitting from both positive natural change and positive migration.

The two rural categories show a more mixed situation. In the mainly rural areas, net migration over the 2007-17 period equates to more than 4% of the 2007 population, more than counterbalancing a small negative natural change. In the remote rural areas net migration of +1.5% (of the 2007 population) was insufficient to replace the -2.8% contraction of the population due to the surplus of deaths over births.

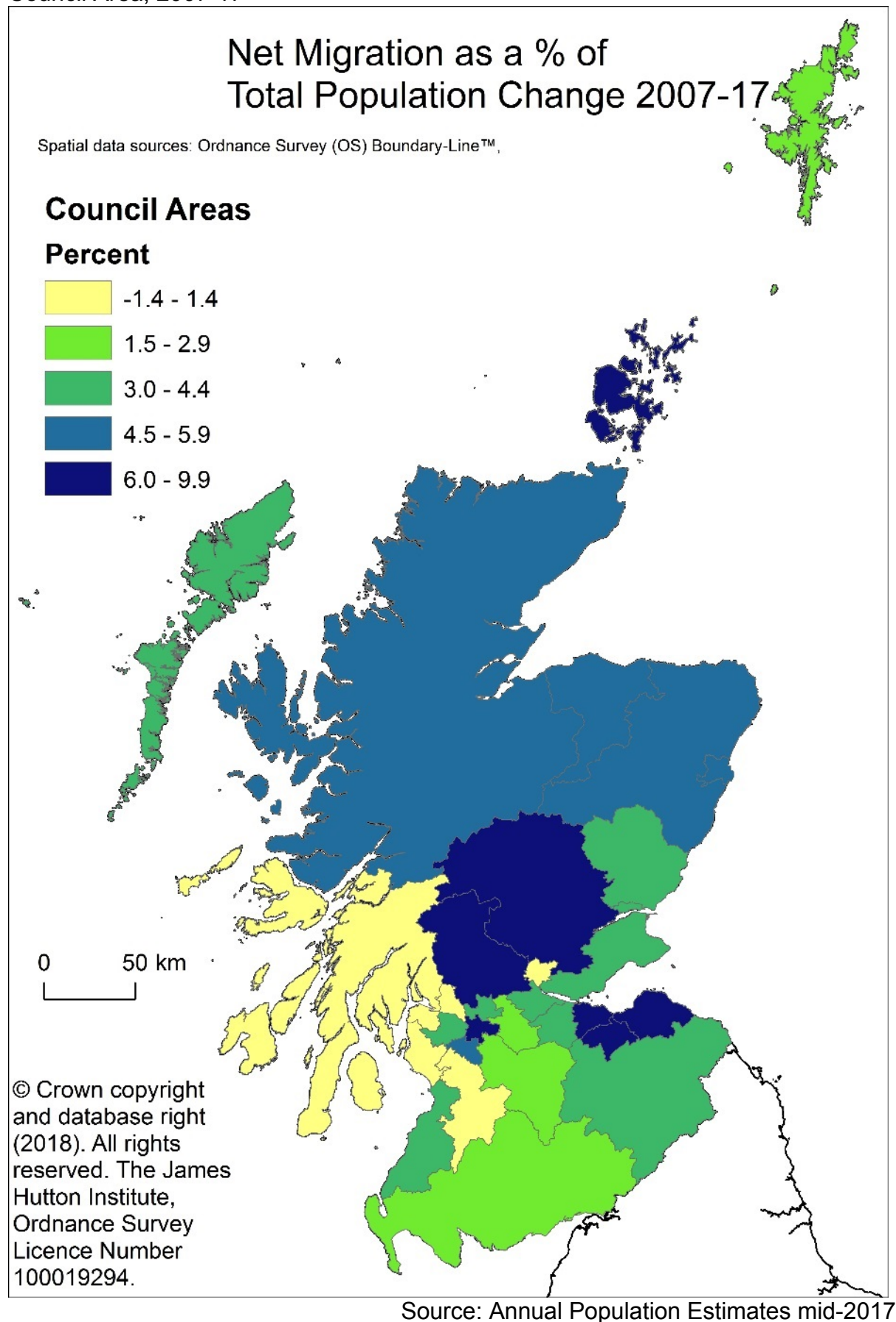
Figure 5.20: Components of Population Change 2007-17 by Council Area Type



Source: NRS Annual Population Estimates mid-2017

However, this classification masks some important variation between individual areas (Figure 5.21). Edinburgh, East and West Lothian and Glasgow showed some of the largest proportions of change due to migration. Of the more rural areas, Orkney, Highland, Moray, Aberdeenshire, Perth and Kinross and Stirling also stand out. In all of these net migration accounts for more than 4% of the population change experienced between 2007 and 2017. Argyll and Bute, Shetland, Lanarkshire, Ayrshire and Dumfries and Galloway were at the opposite extreme.

Figure 5.21: Migration as a percentage of Estimated Total Population Change by Council Area, 2007-17



Although the above analysis does not distinguish domestic migration from overseas, it serves to underline three key points about the importance of migration to population sustainability in Scotland:

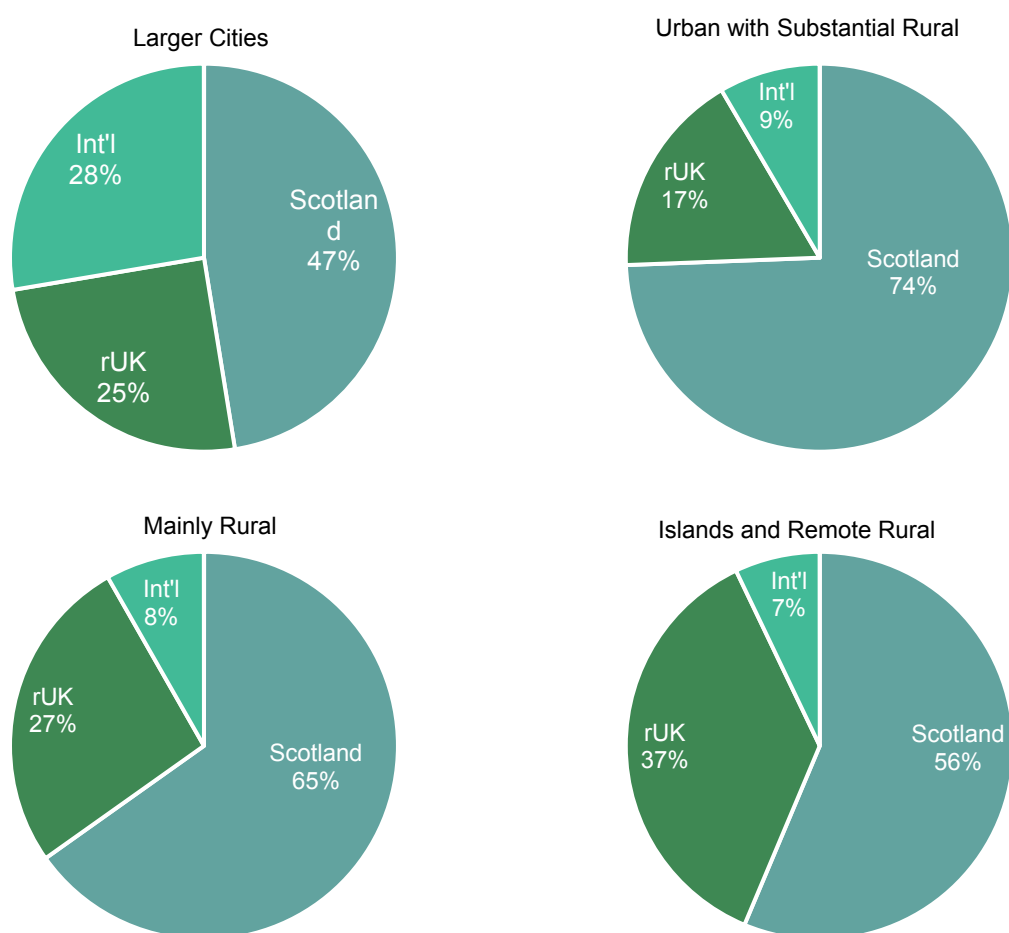
- Across the first three of the categories of Council Area migration has, over the last ten years, been by far the most important driver of population change, natural change being very much constrained (even here) by the ageing of the population.
- In the Mainly Rural and Islands and Remote Rural Council Areas in-migration is the only option to sustain (or grow) the population in the short to medium term. The age structure of these areas is too “damaged” by past out-migration for natural change to play a role in recovery or repopulation.
- With certain notable exceptions, migration seems to play a more significant role in local or regional demographic sustainability in rural areas in the north of Scotland than in the south of Scotland.

Origins of migrants

When the focus shifts to areas within Scotland, the two streams of migrants discussed in section 4.1 (overseas and rest of UK) are joined by a third component – migration between different areas of Scotland.

Data exists for 2017 to allow us to begin to explore the relative importance of these three components of migration as part of current demographic processes across the Scottish council areas. Figure 5.22 shows the composition of in-migration assumed by NRS in their 2017 population estimates. Not unexpectedly, within-Scotland migration accounts for the largest share in all four categories of council area, ranging from a little less than half to three-quarters of all in-migration. The rest of the UK accounts for between 17% and 37% of in-migrants, the highest proportion being in the islands and remote council areas. The share of foreign migrants varies considerably between the four groups, rising to 28% in the large cities, and reaching only 7% to 8% in the more rural and remote areas.

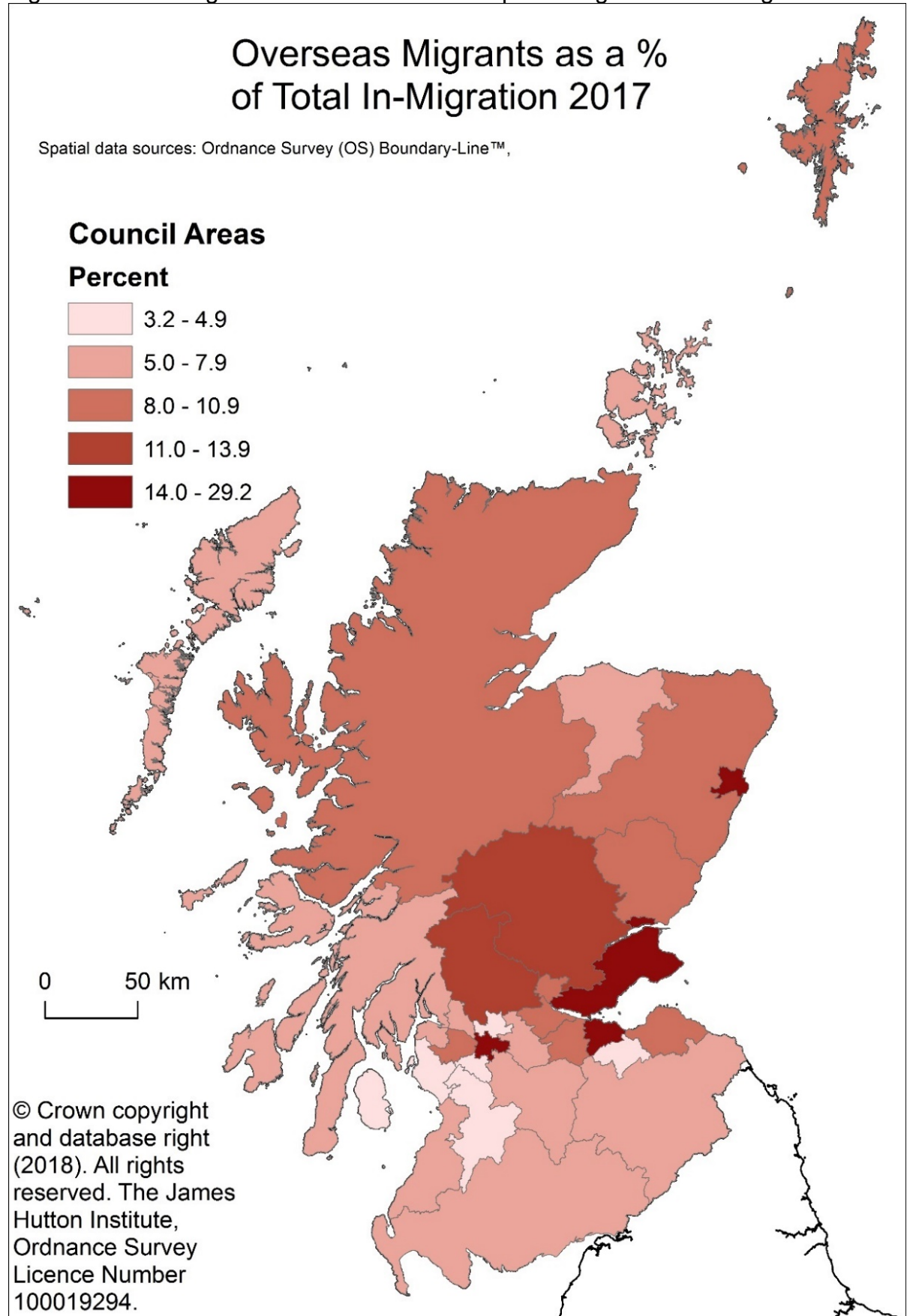
Figure 5.22: Composition of Migrant flows by Council Area type, 2017



Source: Annual Population Estimates mid-2017

However, Figure 5.23 again suggests that the council area classification hides a significant North-South pattern. Of the more rural local authorities (where demographic sustainability is more finely balanced) Perth and Kinross and Stirling stand out, with more than 11% of their population change due to overseas migration. International migration was also relatively important in Shetland, Highland, Aberdeenshire and Angus.

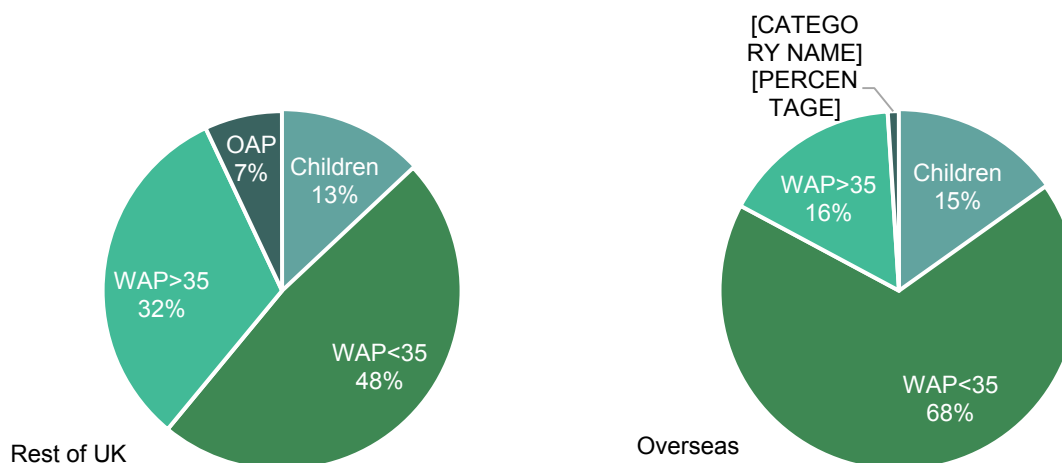
Figure 5.23: In-Migration from Overseas as a percentage of total In-Migration 2017



Source: Annual Population Estimates mid-2017

The significance of the geographic variation in the role of the three components of migration lies in their potential impact on the age structure of the recipient population. Overseas migration is particularly conducive to future demographic sustainability because, whereas a substantial proportion of domestic migration (both within Scotland and from rUK) is associated with retirement (or pre-retirement adjustments to working patterns), the majority of overseas migrants (68%) are within the younger part of the working age population (WAP), and therefore have a benign impact upon the age structure and fertility rates (Figure 5.24).

Figure 5.24: Age structure of Migrants from Rest of UK and Overseas 2017



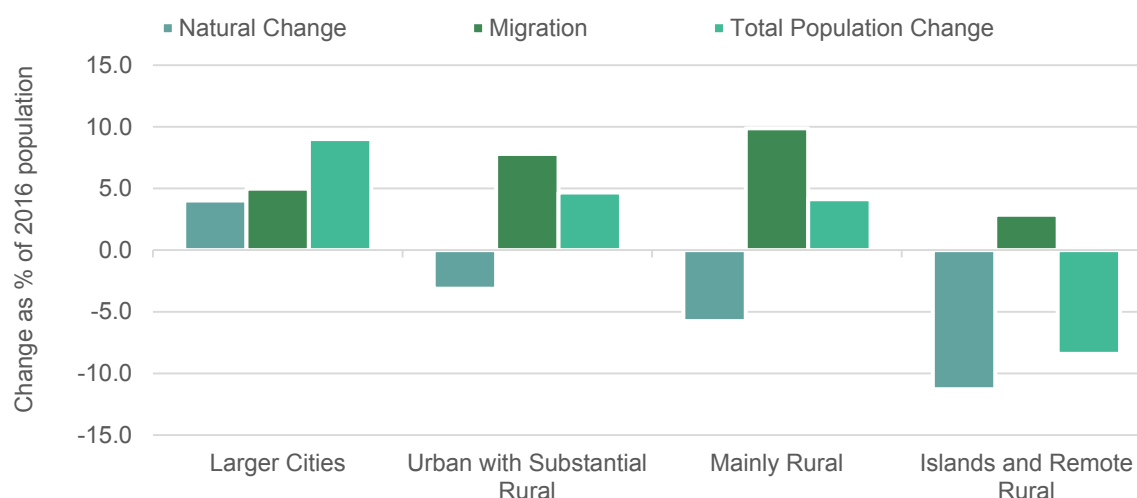
Source: Annual Population Estimates mid-2017 (Table 8)

5.4 Learning from the most recent (sub-national) projections

The production of sub-national projections is a complex process, not least because of the need to ensure that flows between constituent areas, and projected population trends for those areas, are consistent with, and sum to, those of the country as a whole. As a consequence, the following account relies upon the latest principal projections made by NRS. These look ahead over the 25 years from 2016 to 2041. As explained above, these projections differ from the baseline projection produced for this report (section 4.1). Nevertheless, these NRS sub-national projections provide a good starting point for a discussion of the implications of the proposed migration policy after leaving the EU on geographic patterns of demographic sustainability.

The NRS projections indicate that even with ongoing free movement of people the demographic situation of the Islands and Remote Rural areas will be a continuing cause for concern. Natural change over the 25-year period is predicted to equate to a more than 10% reduction in the population. Net migration is predicted to offset this by less than 3%.

Figure 5.25: Components of Population Change 2016-41 by Council Area Type



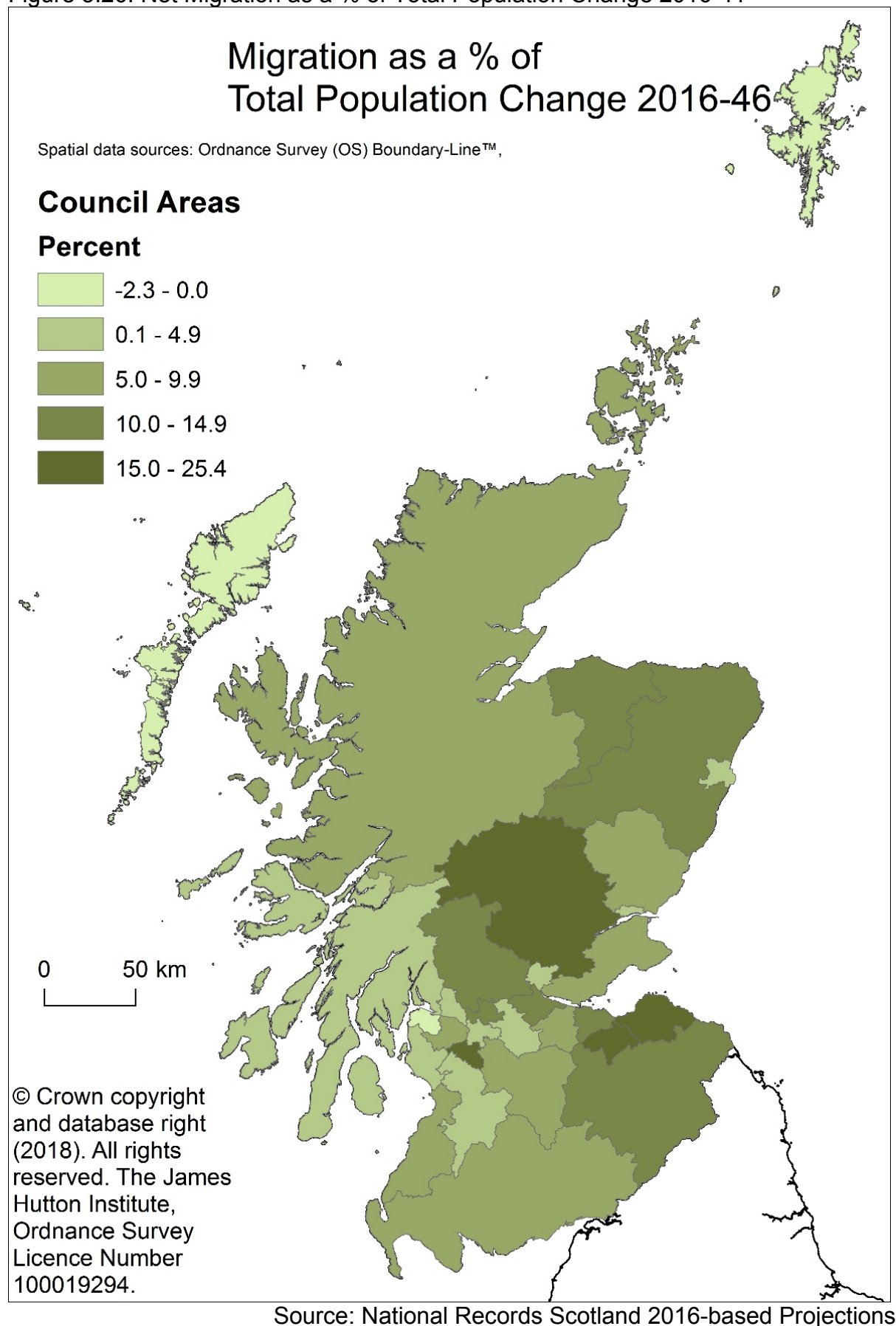
Source: NRS 2016-based Projections

By contrast, net migration into Mainly Rural areas is forecast to reach the equivalent of almost 10% of the current population, more than offsetting the natural decrease of a little over 5%.

In the Urban with Substantial Rural areas, natural increase is predicted to shift into negative territory, but still to be more than offset by net migration, whilst in the Larger Cities both natural change and net migration are projected to remain positive, giving these areas the most optimistic future in terms of population growth, which approaches 10% over the next 25 years.

Mapping the percentage of 2016-41 population change consequent on net migration, Figure 5.26 suggests that in addition to the expected areas of Glasgow, Edinburgh and the Lothians, the areas most affected by migration over the next 25 years are Perth and Kinross, Stirling, Moray, Aberdeenshire and Scottish Borders. The explanation of this change from the north-south contrast evident in the Annual Population Estimates is not immediately apparent.

Figure 5.26: Net Migration as a % of Total Population Change 2016-41



The above patterns of change assume only the continuation of existing trends, taking no account of the implications of UK immigration policy after leaving the EU. There are two arguments to suggest that the changes proposed by the White Paper would exacerbate the challenges facing the remote rural parts of northern Scotland:

- The above projections suggest that these areas are already dependent on overseas migration as a 'corrective' for age structures which are incapable of generating positive natural change.
- As Chapter 3 has shown, the replacement of free movement with an adjusted Tier 2 framework is highly likely to result in a substantial reduction of overseas migration to precisely these areas, because of their dependence upon economic activities (tourism, farming, food processing) which do not pay sufficiently high wages to meet the Tier 2 salary threshold.

Summary and Implications

Immigration to Scotland has been the major driver of population change since the early 2000s. Our analysis suggests that if migration stays at its current level (the average in- and out-migration flows over the past five years), the Scottish population is projected to increase by 8% over the next 25 years. With reduced international migration, population growth will be slower. Migration can also help reduce the speed of population ageing, although its impact is smaller than expected. The proposed increase in pension age may be a more important factor than migration in reducing the increase in the dependency ratio.

While migration may not have a considerable effect on population ageing, it will significantly shape the size and composition of the working age population. In other words, migration will have an important impact on the *absolute* size of the working age population, as well as the age distribution within the working age population. Reduced international migration to Scotland would lead to a gradual decline and rapid ageing of the working age population. This is in contrast to the UK as a whole, whose population aged 16-64 would still grow in the scenario of reduced international migration.

The ageing of the baby boom generation will drive population ageing in Scotland in the next two decades. Whether the working age population will also decline in absolute terms will depend to a large degree on the size of future migration to Scotland. With reduced migration from the EU, Scotland's working age population is projected to shrink and become older because relatively small cohorts will enter the labour market over the next two decades. Overall, our projection results are very similar to those prepared by ONS and NRS, except that we project a larger growth of Scotland's population over the next two decades (the ONS/NRS projections are presented at Figures A1 to A7 in Annex A).

Importantly, the impact of these population trends would not be spread evenly across different areas of Scotland. Between 2007 and 2017, urban and mixed council areas have benefited from positive natural change (more births than deaths) *and* substantial in-migration (mostly from rUK but also from overseas). Mainly rural areas have seen a small natural increase, but this has been more than compensated by in-migration. Remote rural and island areas, by contrast, have seen negative natural

change, which has not been compensated by in-migration. The demographic challenges for these areas will therefore be exacerbated by the proposed changes to EU immigration.

This challenge is particularly acute given that for many remote rural and island areas, in-migration is the only means of sustaining the population in the short to medium term. The age structure has been too 'damaged' by past out-migration for natural change to contribute to repopulation. With some exceptions, migration plays a far more important role in demographic sustainability in rural areas north of Scotland than it does in the south of Scotland.

Overseas migration is especially conducive to future demographic stability because of its relatively younger age structure. However, in rural and remote areas a much smaller share of in-migrants are from overseas than is the case in urban areas. Just 8% of migrants to rural areas are from outside of the UK, compared to 28% for cities. Moreover, rural areas are far less likely to have jobs that meet the proposed Tier 2 threshold. As a consequence, the changes proposed in the White Paper would largely eliminate opportunities for encouraging the longer-term stay and settlement of non-UK nationals in rural areas.

For remoter rural areas and islands, attracting working-age migrants (including from overseas, and EU countries in particular) is the only realistic option to avert a downward demographic spiral driven by the age structure legacy of selective out-migration during the last decades of the twentieth century. These areas of Scotland seem to be facing a demographic 'double whammy' in leaving the EU and ending free movement which is likely to have far-reaching implications for economic activity, the provision of services, and levels of general well-being.

6

Local Communities

6. Local Communities

This chapter examines in more detail the potential effects of the proposed policy changes on local communities in Scotland. In particular, it considers how the switch from free movement of EU nationals to the proposed immigration routes is likely to affect patterns of mobility, work and settlement in different areas. And, in turn, it considers how these patterns will affect host communities in terms of demographic sustainability, support for local services and social cohesion.

It is important to note that UK immigration policy, and the White Paper proposals, are intended to manage immigration in a way that contributes to the UK industrial strategy. The proposed means of achieving this is through attracting migrants to higher-skilled and higher-earning jobs, while reducing lower-skilled immigration, at the same time bringing down overall levels of net migration. As such, UK immigration policy is not explicitly designed to address goals of population growth, offsetting population ageing, or sustaining local communities. Within Scotland, however, both national and local branches of government have made the link between migration and its demographic, social and cultural contributions. At national level this is clearly set out in the Scottish Government discussion paper *Scotland's Population Needs and Migration Policy*.²⁹ It is also a clear and consistent aspect of COSLA responses to MAC enquiries regarding migration needs and impacts.³⁰

The MAC report offered a rigorous analysis of the social impacts of EU immigration, including its effects on healthcare, social care, education and social housing, as well as impacts on crime and on well-being in local communities. The findings align with research on the impacts of immigration in Scotland.³¹ Our analysis in this chapter complements this work, focusing on the social effects of migration in local areas, in particular in terms of the impact on public services, and the well-being of migrants and local communities.

Given the challenges in quantifying and measuring these types of impacts, we draw on qualitative data from a range of published studies carried out within Scotland and the UK over the last five to ten years, and from data available in the UK Data Service Reshare archive.³² The analysis also includes examples of the experiences of EU migrants and local communities, highlighted in text boxes. These often refer to individual migrants, but are included as they are indicative of broader patterns of experiences and decision-making of EU migrants.

6.1 Patterns of mobility and settlement

As we saw in Chapters 2 and 5, the period of free movement has seen a greater spread of migration across a wider variety of urban, rural and remote areas of Scotland. Whilst rural places still have much lower levels of in-migration, there have been higher proportions of inflows of EU migrants than non-EU, particularly into smaller urban centres within rural regions.

Over the period since 2004 the composition of migratory flows and duration of stay have changed. Whilst initial forms of employment and periods of stay have often been temporary and planned as short-term, more recent studies have shown a

greater tendency for people to stay longer term.³³ Also moving away from the initial profile of younger men travelling alone, women and families with children have become increasingly prominent amongst EU migrants.³⁴ It is well-established in international migration studies that longer-term settlement most often arises in an incremental and initially unforeseen fashion. This has also applied to the situation of many EU migrants who have arrived to the UK during the period of free movement³⁵, including those arriving to urban³⁶ and more peripheral/rural regions³⁷ of Scotland.

Indeed, as the period of free movement has extended, migrant pathways to rural areas of Scotland have sometimes evolved from periods of employment in other areas (both urban and rural) of the UK.³⁸ At the same time, the search for improved economic security and employment opportunities can also draw migrants away from such locations. More rural areas may offer less opportunities for occupational mobility, as well as fewer leisure or cultural facilities and less well-developed existing migrant communities.³⁹

A large qualitative study conducted in both rural and urban areas of Scotland in 2014-15, as well as follow-up focus groups in 2018, found that few EU-8 or EU-2 migrants had arrived in the UK with a clearly defined plan of where or for how long they would stay in the UK. Free movement had allowed many participants to 'try out' life in a number of locations both within the UK and in other EU countries before making more definite and longer-term plans. For a subset of participants, mobility within the UK had specifically facilitated relocation to, and then longer-term settlement in, Scotland.

These participants spoke favourably about life in Scotland in comparison to elsewhere in the UK, perceiving a more reasonable standard of living and more positive social attitudes towards migration and migrants. Others commented on the beauty of the landscape, the opportunities for outdoor leisure activities such as hiking and camping, and a sense of general friendliness and welcome. These 'softer' aspects, whilst perhaps secondary in initial migration decisions, became more important where longer-term decision-making was involved.

'I arrived two years [ago] and my first target was the UK, anywhere. But around London and the English part wasn't so nice... And the people, the Scottish people are friendlier, I think. So when I was in Glasgow I got plenty of experience there. Here too...'

Andras, 44, Hungary, Highlands⁴⁰

Pathways of arrival and processes of longer-term settlement within the free movement framework have not been simply incidental, but have been promoted by active strategies of recruitment and retention. These have involved investments of financial, material and human resource by local authorities, third sector organisations, and employers. Recruitment was based initially on employers and employment agencies which sought to draw migrants to a range of semi-skilled and low-skilled jobs in agriculture, food processing, and transport services. First Bus

companies in Aberdeen city, Aberdeenshire and Angus, for example, ran active recruitment strategies in Poland and other EU-8 countries in the period following 2004. More recently, recruitment has relied more heavily on informal processes of networked migration, but with employers actively involved and keen to see migrants with prior experience and skills development return.⁴¹ In many cases this has meant seasonal workers returning to the same farms year after year, a process which for some can eventually lead to more permanent forms of employment and longer-term settlement. The White Paper's proposals for seasonal and temporary worker schemes are designed to limit such pathways to settlement, with the proposed 'cooling off' period of the transitional temporary worker scheme specifically preventing year on year returns.

A recent report from Scotland's Rural College noted: 'Returnee workers represent over half the Scottish seasonal migrant workforce, often leading to long term working relationships built on mutual trust and respect. Returnees reduce the recruitment and training costs for farmers and recruitment and familiarisation costs for workers. Additionally, it can help workers access opportunities for higher pay, overtime, and progression into supervisory /management roles. Long term returnees often become keystone workers, helping supervise staff and manage the business'.⁴²

This can be illustrated by the case of Paskal, a young man from Bulgaria who had been returning to the same farm in Aberdeenshire every year over the period 2011-2015. In keeping with the findings of the SRUC study, he was motivated towards seasonal migration primarily by a higher earning potential than in his home country. However his decision to return annually to a particular farm was linked to working conditions and a positive relationship with his boss and co-workers. Unlike some, he had no plans to settle long term, preferring instead to build up sufficient savings to start his own agricultural business in Bulgaria.

'It's a small farm, everyone knows everybody [else]. We're close with our boss. It's a very friendly environment here ... so that's the reason I come back to this farm.'
Paskal, 26, Bulgaria, Aberdeenshire⁴³

Effects on mobility and settlement patterns

The White Paper's proposals for a transitional scheme for short-term labour migration may temporarily alleviate some of the labour shortages created by the end of free movement. However, the restriction of stay to a maximum of 12 months followed by a 12-month 'cooling off' period will limit the possibilities for more flexible patterns of circular movement, and will require employers to hire and train up new workers annually instead of re-employing or extending the contracts of workers they have previously trained.⁴⁴ This is likely to produce even greater problems for the social care sector, where in addition to the more formal aspects of training and skills development, workers need to build more personal relationships with clients over time to do their jobs well. The restriction on access to public funds will also limit the

possibility of migrants to sustain low-paid work through in-work tax credits. Although the specific bar on accompanying dependents within this scheme may make this less of an issue, the barrier to family migration may also make such employment opportunities less attractive to many, especially female, migrants.

The varied pathways of arrival discussed above are also likely to be significantly curtailed by the current proposals for Tier 2. As we saw in Chapter 3, the vast majority of jobs available in rural and remote areas would not meet the proposed £30,000 threshold. Moreover, even where Tier 2 criteria are met, the restrictions on mobility under Tier 2 will limit opportunities for migrants to move between jobs or occupations, or to mobilise informal networks that facilitate further recruitment. In both cases then, many of the routes to more remote and rural areas, which often begin elsewhere within Scotland or the UK, will be cut off.

Moreover, in limiting the possibilities for more flexible networked migration of family and friends, and putting specific restriction on family reunion routes, the new proposals may well discourage longer-term settlement for a subset of those EU nationals already living in these areas, even where they are eligible to apply for settled status. Existing studies have shown the value placed by EU migrants on their ability to bring over wider networks of family and friends and the ways in which such processes consolidate longer-term settlement plans.⁴⁵ The presence of children in the country can be particularly important for decisions to settle but the presence of wider family networks can also be very significant. Concerns about elderly relatives who remain in the country of origin can play a role in deterring longer-term settlement or unsettling those who had previously planned to stay.⁴⁶

Ewa moved from Poland to a small town in rural Scotland with her husband and three school-age children, motivated primarily by the wish to join her parents and siblings, who had left Poland a few years earlier:

'As far as [coming to] Scotland is concerned, my whole family lives here. They all came one after the other. I was the last to join. All my siblings... My parents... We were on our own there [in Poland] so we wanted to come here.'

Ewa, 37, Poland, Angus

For others, new family formations had arisen as a direct result of migration. These new formations often involved the birth of children in Scotland and were frequently described as a significant factor behind longer-term settlement decisions. Gatis became part of an extended family of Latvian migrants when he met Madara and her older sister, Dita, in England. The three travelled to Scotland together and Madara and Gatis became a couple. At the time of interview, their child had recently started primary school, whilst the family's increasing sense of security had led Madara's older son and Dita's two adult daughters and their grandchildren to join them in Scotland. As the three of them explained, the extended family was now well embedded in the village where they lived, the children were settled at school and Dita's daughter was engaged to a local Scottish man. Although they remained concerned about their elderly parents still in Latvia, they stated that they were unlikely to leave Scotland:

'Of course, we can go back and find a job, but I don't see any prospects for my grandchildren in Latvia. What will they do there? Here they go to a good school and I don't have to pay a lot of money because they go to a state school. They go on school trips, and they're treated well. The teachers are good and treat them very well.'

Dita, 45, single, 2 children, Latvia⁴⁷

As we saw in Chapter 4, the absence of pathways to longer-term stay will increase the demographic challenges for areas facing depopulation, and run counter to the specific investment by many Scottish local authorities in encouraging longer-term stays, with the aim of reducing depopulation in both rural and peri-urban locations. Such temporary programmes will also create other challenges for communities in terms of churn and lack of incentives or opportunities for successful integration (described in more detail in section 6.3).

Local authorities have been aware that longer-term settlement is unlikely to take place successfully without systems of support in place. Whilst these have been incomplete and imperfect in most areas, nonetheless, community planning partners and non-governmental organisations, as well as local authorities themselves, have invested both financial and human resources in developing support systems and programmes.

6.2 Local services and infrastructure

Impacts of EU migrants on public services

Migrant workers have a significant impact on public services in many areas of Scotland. EU migrants provide labour in schools, health and social care settings, as both front-line and auxiliary staff. In so doing they contribute to maintaining communities and supporting the delivery of key public services. As we saw in Chapter 3, many of these jobs would not meet the Tier 2 wage threshold, or a lower variant of £25,000, and particularly with regard to women's employment. The examples of teachers and social care workers are relevant.

Local authorities employ significant numbers of teachers from both EU and third countries, especially at secondary levels. A stark fall in applications for teacher registration from EU nationals was reported by the General Teaching Council of Scotland in 2018, raising concerns about the impacts on schools, especially in the context of teacher shortages, particularly in more remote and rural areas. Scottish Government and COSLA have previously presented evidence of the importance of recruitment of teachers from EU and third countries for Scottish schools. It has been noted that a number of local authorities (e.g. Highland) had experienced considerable barriers in their attempts to recruit teachers from third countries through Tier 2. Bureaucratic barriers and difficulties with applications for certificates of sponsorship were commonly cited. Some of these challenges may be alleviated by a simplified sponsorship system as proposed in the White Paper, but plans for this have not yet been set out.

As discussed in Chapter 3, the social care sector is already facing acute shortages, and is reliant on non-EU workers to help fill gaps. LFS data suggests that over 9% of the workforce in this sector were born outside the UK, with 38.5% of these coming from the EU. These levels are similar across urban and rural areas. Drawing on a survey of care providers, a Scottish Government report from 2018 found somewhat higher proportions of EU staff. The study showed that the proportion of EU staff was 4.9% in remote rural Scotland, 5.6% in accessible rural Scotland, and 5.7% in the rest of Scotland. The study also found that EU workers were more prevalent in private sector services (6.4%), than in voluntary sector services (5.4%) and public sector services (3.7%). This breakdown shows a more nuanced picture than the headline figure in that study of 5.6% EU nationals employed within adult social care and childcare services in Scotland as a whole. It highlights a convergence of areas with more acute recruitment issues such as nursing staff, particularly agency workers, and higher dependency on EU workers. It also shows that rural areas, where the overall rates of migration are lower, show similar levels of EU workers in this sector.

Managers interviewed as part of the study also highlighted the qualitative advantages that EU workers bring to the sector: 'Some managers felt the contribution of their EU workers was greater than their basic numerical representation might suggest. Specifically, managers spoke of these employees' strong "work ethic", exemplified through a willingness to "go the extra mile" to get the job done and to continually learn and develop. Relatedly, managers sometimes said that EU workers appeared to be motivated by an "ethos" of care, manifest in a high level of commitment to their work. Less commonly, there was reference to non-UK EU workers being more highly qualified and/or experienced than local applicants. This perspective was advanced mainly by managers of childcare services, who described how their EU workers often had specialist degrees in childcare or in teaching'.

The greater prevalence of EU workers in the private sector may also indicate potentially greater impact on that workforce as a result of the end of free movement. The bureaucratic barriers encountered by local authorities in recruiting teachers, noted above, are likely to be experienced all the more acutely by smaller private sector businesses, such as small family-run care homes which provide a greater proportion of social care in Scotland, primarily through contracts with local authorities, than is the case in England.

The loss of this workforce would have a potentially negative impact for the resident population. A deterioration in key services such as schools, health or social care in areas with already declining populations could further undermine the capacity of those areas to retain their existing populations, including the locally born, thus potentially amplifying the demographic impacts of reduced immigration.

Challenges of relying on low-paid EU workers

While EU immigration to lower-skilled jobs has brought many benefits to local communities, there are also drawbacks to relying on migrant workers to fill less attractive jobs. As the MAC report argues, where jobs do not offer sufficiently high wages and acceptable working conditions to be attractive to the locally born population, they will also struggle over time to retain migrant workers. EU migrants working in agriculture, hospitality, social care and other lower paid sectors have often accepted considerable de-skilling and downward social mobility during the period of free movement.⁴⁸ This has been a conscious trade-off made by EU nationals in return for the greater stability and security of the UK economy and welfare system than that available in many countries of origin, particularly in Eastern and some Southern European states.⁴⁹

Nonetheless, migrant workers in such jobs have expressed a strong desire for career development and have often suffered emotionally, socially and in terms of positive integration outcomes where they have been unable to progress to better paid and more skilled jobs over the longer term.⁵⁰ They also consistently aspire to a different experience for their children.

The Scottish Government's draft budget 2018-19 includes a commitment to make Scotland an open and welcoming nation for people and their families to live, work and make a positive contribution to our country.⁵¹ It also aims to create a fairer Scotland, support inclusive growth, and promote community empowerment and the participation of people in all aspects of Scottish life.⁵² Neither of these goals is well served by an assumption that migrants will be content to do jobs which are unattractive to locally-born residents over the longer term.

Local infrastructure and support for EU migrants

There are clear links between employment in lower-paid and lower-skilled jobs (especially over the longer-term), difficulties in improving English language competencies, and needs for tailored or adapted support services for migrants.⁵³ In response to the employment of significant numbers of EU migrants within their areas, local authorities, community planning partners and non-governmental organisations have invested time, effort and money to develop a range of support services and initiatives. Cuts in funding have caused difficulty in the provision of support, and efforts are not always joined up or well aligned to migrant needs.⁵⁴ ESOL services are overstretched in many local authority areas and there are particular difficulties in reaching more temporary and seasonal migrants as well as those in rural and remote areas.⁵⁵

The proposed introduction of a new SAWS or a transitional temporary migration scheme as the principal route for lower-skilled and lower-paid workers is likely to have significant effects on their age profile, family status and length of stay. Younger workers, present in the country for a shorter time period and without dependents, may not need the same services which have been developed over the past 10-15 years. Nonetheless, they are likely to have some support needs, at the very least in terms of dealing with administrative processes, and managing their day-to-day lives. Such support would either fall to employers to provide, in which case regulation would be required to ensure consistent and comprehensive provision across a wide range of employers; or it would require the development of new programmes and interventions by public and third sectors.

In many areas third sector projects complement local authority led initiatives to translate information, provide interpreting and tailored support and advice, for example in relation to housing, community care and welfare rights. Such projects are often supported by the paid and unpaid labour of EU and non-EU nationals. Indeed, even statutory services are often facilitated by EU nationals in the employment of local authorities, schools or community planning partners who support the provision of important services as support workers, local authority officers, teachers and classroom assistants, and so on. As outlined in Chapter 3, there are likely to be significant difficulties in recruiting to such posts through Tier 2 if a salary threshold of £30,000 is maintained, and, for some jobs and areas, even where a lower threshold of £25,000 is applied.

In Perth and Kinross, the PKAVS minority communities hub, established in 2010, provides support services to people from minority backgrounds, particularly Eastern European, South Asian and Chinese. In 2013 the hub, then known as MEAD, dealt with 774 individual clients, over 70% of whom were EU nationals. Having identified language barriers as a key area where support is needed, and one which defines access to assistance in regard to almost all other support needs, the organisation has developed bespoke local interpreting and translation services, as well as language classes, referral and advocacy services, and rural outreach.

The provision of education services has also had to adapt to the increasing number of languages (and associated cultures) within schools. In Glasgow, Shawlands Academy now has over 50 languages spoken by its pupils, whilst Annette Street Primary is nearly completely bilingual. Clearly, this presents challenges in ensuring adequate support is provided for teachers and pupils alike. However, it should also be noted that the positive impact of exposing young children to a cross-section of cultures and languages cannot be under-estimated. Education inspectors have commended Glasgow's approach to integration in education in the past.

In Perth and Kinross, there has been an on-going year-on-year increase in the numbers of bilingual pupils in schools. Perth and Kinross Council currently employs, among the wider pool of Community Link Workers, two bilingual workers specifically supporting the Polish families in pursuing education. This is required due to communication issues and lack of integration of pupils and families with the wider community and the school environment. However, there are many positive aspects, including what is perceived to be a very positive educational ethos.⁵⁶

Support for EU and non-EU migrants

The White Paper proposes treating EU migrants in the same way as non-EU nationals in future. This would apply both to Tier 2, which would be the principal route for EU nationals to access skilled employment, and to the proposed seasonal and temporary routes, with the former being open to all nationalities, and the latter (transitional) scheme to those from 'low-risk' countries. This change might imply a different balance of ethnic, linguistic and cultural needs within the new migration system. Whilst there is certainly nothing inherently problematic or wrong with this, existing services would need to adapt if these newer groups are to be well supported and this would require further financial and human resource investments, and would need to be carefully planned for.

A more narrowly defined and tightly controlled set of migrant routes into particular jobs and sectors could also undermine the ability of co-national, co-ethnic or language groups to provide support. If migrants arrive in smaller or much more diverse groupings, access to a critical mass of co-nationals with sufficient in-country experience to provide migrant-led support initiatives may be curtailed. This has already been the experience of some smaller groups of EU nationals (e.g. from the Czech Republic and Hungary) who have commented on their limited ability either to receive support in accessing statutory assistance, or to provide their own community-based support services by comparison to larger groups of Poles.⁵⁷

6.3 Integration and thriving communities

Processes of integration among recent EU nationals

Integration implies a process of adaptation of both host populations and more newly arrived individuals, over a period of time.⁵⁸ Successful integration is typically associated with good educational and employment outcomes of first or second generation migrants, and positive social interaction between migrant and 'host' communities, the latter defined broadly to include both locally born, and other migrant groups.⁵⁹ Successful integration requires the provision of services, guarantees and rights by governments and local authorities.⁶⁰

Experiences of EU migrants and host communities over the last 10-15 years bear out these assumptions, and show that – as with other, previous, instances of immigration – integration is often a difficult process. In some of Scotland's larger cities, EU migrants have brought increased cultural diversity, including into neighbourhoods with high indicators of social deprivation. Indeed some housing associations have implemented specific policies of placing migrant families in 'low demand' housing as a part of local improvement and regeneration projects. There is some evidence that this increased diversity 'has changed the "feel" of the area, softening a tendency for outsiders of any kind to feel vulnerable to attack or harassment and increasing the range of retail and leisure outlets, thus turning rather grim and forbidden streets into much more welcoming places'.⁶¹ However, migrants themselves have sometimes struggled, certainly in the initial period, with living in such contexts and have in some cases expressed fears about personal safety and about the risk of their children 'over assimilating' into negative local sub cultures and practices.⁶²

Especially in smaller, more peripheral areas with limited previous experience of migration in significant numbers, EU migrants have faced many of the same issues previously experienced by BAME communities and Commonwealth migrants.⁶³ These include issues with social isolation, pressure to assimilate to dominant cultural norms, difficulties with language learning, long working hours, living in concentrated groups within particular housing schemes and neighbourhoods, and concerns about longer-term prospects of full economic, cultural and political inclusion for themselves and their children. Nonetheless, many EU migrants also express a growing sense of 'home' in Scotland and more specifically in the cities, towns and neighbourhoods where they live and work.⁶⁴

EU migrants living in rural regions of Scotland with previous experience of living and working elsewhere in the UK or Scotland have cited a more welcoming attitude in Scottish peripheral/rural contexts, as well as the absence of some of the challenges of living in urban neighbourhoods with high indicators of social deprivation as 'pull factors'. This has been the case particularly for families with younger children.⁶⁵ The development of Polish and East European shops, and other retail and consumer services (e.g. hairdressers, legal and advice services), even in relatively peripheral towns such as Peterhead or Arbroath, can add to this sense of 'putting down roots' and developing established communities.

Kornelia and her family arrived in Glasgow in 2007 through personal networks and were still living in the same deprived area in 2015. She was interviewed in both 2010 and 2015 and despite having some serious reservations about her neighbourhood expressed a strong and growing sense of being 'at home' in the area:

'I do [feel at home here] in a sense... I mean, I got used to living in this dirty area... When we come back from, say, shopping, and we come out of the tube, we say: Good old [neighbourhood]. If we say that, it must mean something... We know people by sight. Some older people address my husband saying: "Hiya, my friend." People know us as well. We've blended with the environment. So in a way, I have got used to living here and it feels as if I've been here for a long time...'

Kornelia, 57 years old, Poland, Glasgow, interviewed 2010⁶⁶

Elizabete had moved from Latvia to a small town in Angus in 2011, following her mother who was already settled there and bringing her teenage daughter with her. She talked about her close relationship with a Scottish neighbour and the friendly reception the family had received as key to a sense of being at home in Scotland.

'The neighbour's spoiling us! Well, actually, she loves my daughter and she makes stuff for her, so if she catches me in the garden, she gives me stuff. It's actually, what I find, it's very very friendly, Scottish people around. It's unbelievable, it's very welcoming and... When we came just to visit mum for first days it's people what we met in [small town], it's just... Ooh! Really, and it was just first time and I thought then it can be place where we move ourselves.'

Elizabete, 39 years old, Latvia, Angus⁶⁷

Initiatives supporting social integration in a range of cities, towns and smaller settlements seek to ensure that this process continues with positive outcomes for both migrants and longer-term residents. COSLA have observed that 'local authorities are at the forefront of integration and there is significant work being carried out by Scottish local authorities to make their areas attractive places to live and work. There are many examples of local policies specifically tailored to attract and retain migrants. For example, a focus on drawing skills and talent from abroad to support public and private sector skills shortages through, for instance, relocation and overseas recruitment packages; the provision of workplace ESOL to support the retention of migrants in local employment; and the provision of community based adult and family ESOL to enable inclusion and participation of migrants in their local communities.'⁶⁸

Impacts of short-term programmes on integration

As noted earlier in the chapter, the removal of free movement and the introduction of more restricted routes under Tier 2 and seasonal/temporary schemes will have a significant effect on patterns of mobility and settlement. Migrant networks which have flourished in the context of free movement as a flexible and open migration system not only facilitate new arrivals but can also encourage and facilitate the longer-term settlement of migrants.⁶⁹ Moreover, the relatively simple and adaptable ways in which this context has facilitated family reunion may also support better integration. International research has shown a positive correlation between more open and supportive family reunion policies (such as those in Sweden), and better integration outcomes.⁷⁰

The analysis of labour markets within the Scottish regions and particularly more rural areas presented in Chapter 3 suggests that in many areas, most or all jobs currently filled by EU migrants would not meet the Tier 2 salary threshold. This implies that the only viable migration routes into some communities will be under the proposed new seasonal agricultural workers and/or transitional temporary workers schemes. This is likely to severely disrupt opportunities for family reunion, and for longer-term processes of integration as outlined above.

The constant churn which is integral to the seasonal and temporary schemes proposed will bring new challenges and tensions to community relations and to processes of integration, especially if it becomes a long-term feature of particular local communities. Previous experience of SAWS and other forms of temporary migration have seen larger groups of migrants often living 'on site' at farms with very little opportunity or motivation to learn about Scottish regulations, employment rights, culture or indeed language. Issues relating to work-based exploitation, health and safety concerns, as well as infringements of driving regulations have all been noted. Local authorities have needed to work hard to ensure migrant workers are safely housed, have the necessary knowledge of, for example, fire safety regulations and their rights as employees, as well as a sense of being welcomed in their communities. Where long-term residents have little contact with these workers, negative experiences and mutual misperceptions can flourish.

In Angus where there have been some of the highest numbers of seasonal workers in Scotland the local authority has organised regular roadshows to try to deal with some of the wide range of difficulties encountered by such workers. The equalities officer explained the various issues these events have sought to tackle and some of the difficulties in doing so:

'We have these roadshows ... every summer. And it's a partnership, so its ourselves from the council, it's health, the Gangmasters Licencing Agency'⁷¹ joined us last year... fire and police, English as an Additional Language... What we're trying to do is just give people information about their rights and living conditions, what's acceptable. The firemen will often give a demonstration of how to put out a fire. The police will talk about drink driving.

'We have the health people, they come along and have information on the safe limits of alcohol. They have information on smoking cessation ... But because we know they're restricted in terms of what they can do, timewise, because they're working so much on the farms, they're trying to get a smoking cessation clinic to go round the farms. Because there's not much sense measuring and going 'oh yeah, you've got really high levels here' and then not trying to do anything to help people. So that's what they're thinking about right now.

'In terms of physical activity... last year I think it was, the police organised for some Zumba classes to take place on the farms as well, to keep people motivated...

'We've had really positive feedback about the roadshows that we do, and we try to have them on the farms so people are not having to travel. One year we did try at libraries because we thought, well, free internet access, people might be coming to libraries, that didn't really work very well because people were having to travel then to come to see us... nobody turned up'.⁷²

Summary and Implications

Free movement has facilitated flexible and open-ended migration routes, bringing EU migrants, and importantly, their families, to virtually all parts of Scotland. Such flexible pathways have been promoted through active strategies of recruitment and retention. These have involved substantial investments of financial, material and human resource by employers, local authorities and third sector organisations. The White Paper's proposals will curtail many of the pre-existing pathways, particularly to more rural areas, where many of the jobs which migrants have taken up will not meet the salary threshold, even if they are accommodated within a lowered skills threshold.

The White Paper's proposals for a transitional scheme for short-term labour migration may help to alleviate immediate labour shortages. However, the new restrictions on stay and return are likely to create considerable challenges for employers, particularly in key public services such as the care sector. They will also limit the possibilities for more flexible patterns of circular movement, and the potential for temporary labour migration to evolve into family settlement over the longer term. For those already settled in Scotland, the new restrictions on bringing over wider networks of family and friends may make permanent stays less attractive. Migrants have provided labour to key public services in many areas of Scotland, including schools, health and social care settings. Again, many of these jobs would not meet the proposed salary threshold, or even a lower variant of £25,000. The loss of this workforce, which in many cases may contribute to a deterioration of key services, is likely to have a negative impact for the resident population. This could further undermine the capacity of areas to retain their existing populations, potentially amplifying the demographic impacts of reduced immigration.

At the same time, this chapter has suggested some drawbacks of relying on migrant workers to fill jobs which are unattractive to locally born workers due to low wages, low status, or poor career prospects. Such a reliance can have negative impacts on migrants' social, economic and emotional well-being as well as lowering positive integration outcomes for wider communities. As such, it runs against Scottish Government commitments to equality, diversity and the creation of fair and welcoming communities.

Integration, understood as a long-term process of adaptation of both host populations and more newly arrived individuals, is also likely to be challenged by the introduction of more restrictive policies and temporary schemes. If the proposed new seasonal agricultural workers and transitional temporary workers schemes are the only viable migration routes for some rural areas of Scotland, the changes are likely to produce constant churn in migrant populations. The proposed programmes are therefore likely to pose significant challenges for local communities, necessitating the adaption of support services, and disrupting longer-term processes of integration. Local authorities and employers are likely to struggle to meet these challenges.

A wide range of public and third sector support and advice services have been developed over the 10-15 years to assist EU migrants, especially those in lower-paid and lower-skilled jobs. These will require significant revision and new resources if they are successfully to support migrants coming from a more diverse range of linguistic and national backgrounds and under a new set of migration rules.

Annex A

NRS 2016-based population projections

This Annex provides the results of the NRS 2016-based projection and variants. Figures A1 to A7 are replications of Figures 5.12 to 5.18 using the results of the NRS projection. The assumptions of fertility and mortality trends and migration between Scotland and rUK are the same (or very similar) for the NRS and our projections. The main difference between the NRS principal and our principal projections is the assumption on future in- and out-migration levels. The NRS projection is based on long-term past migration trends (over 25 years), whereas our projection uses average flows from the last five years (which are similar to flows between 2001 and 2017). Overall, the NRS and our projection results are similar, except that our projections lead to a larger growth of Scotland's population. The comparison of the results of the NRS and our projections provides further information on how different assumptions about overseas migration between Scotland and overseas will shape Scotland's population size and structure over the next two decades.

Figure A1: Projected Scotland's population, 2016-2041.

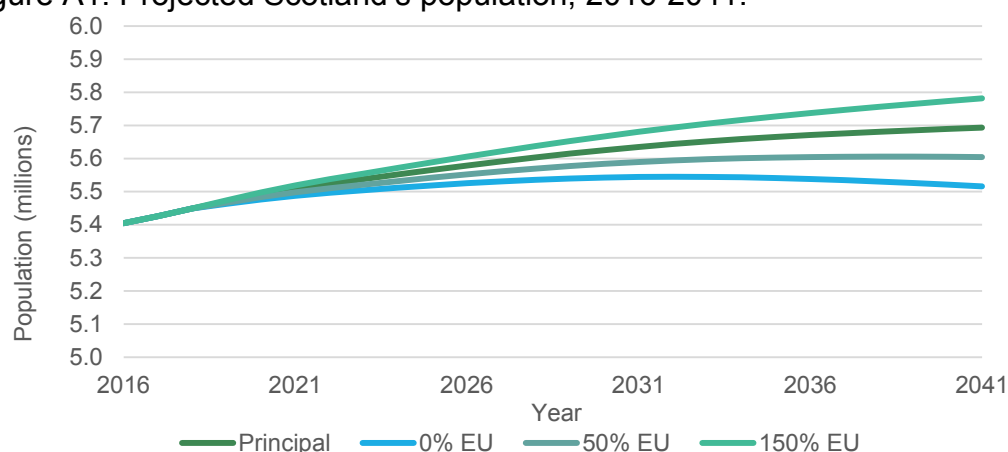


Figure A2: Projected share of individuals 65 and older in Scotland, 2016-2041.

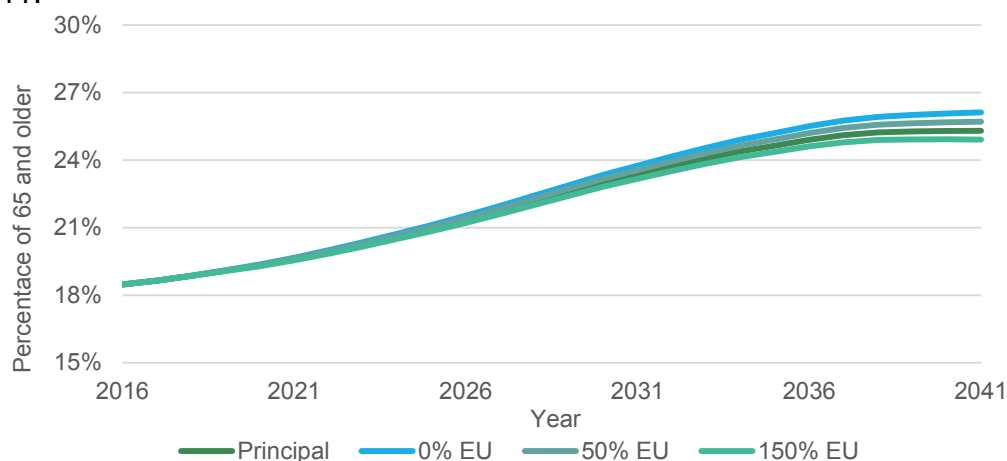


Figure A3: Projected dependency ratio in Scotland, 2016-2041.

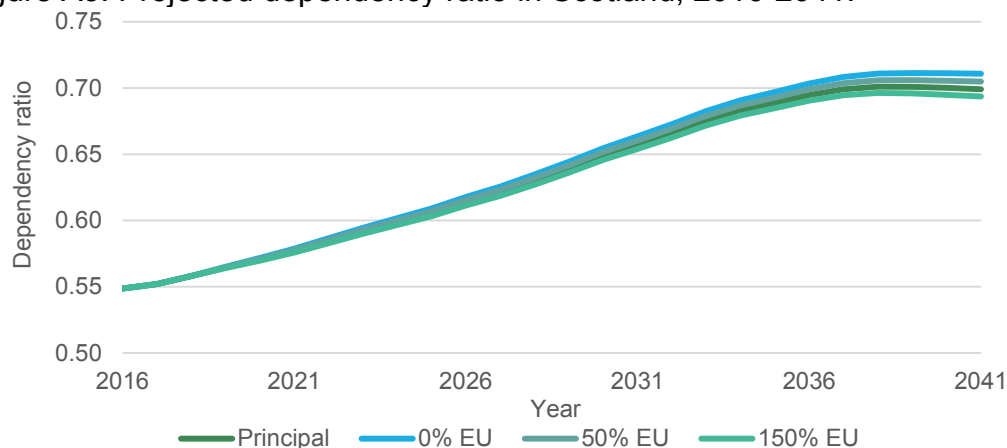


Figure A4: Projected old age dependency ratio in Scotland, 2016-2041.

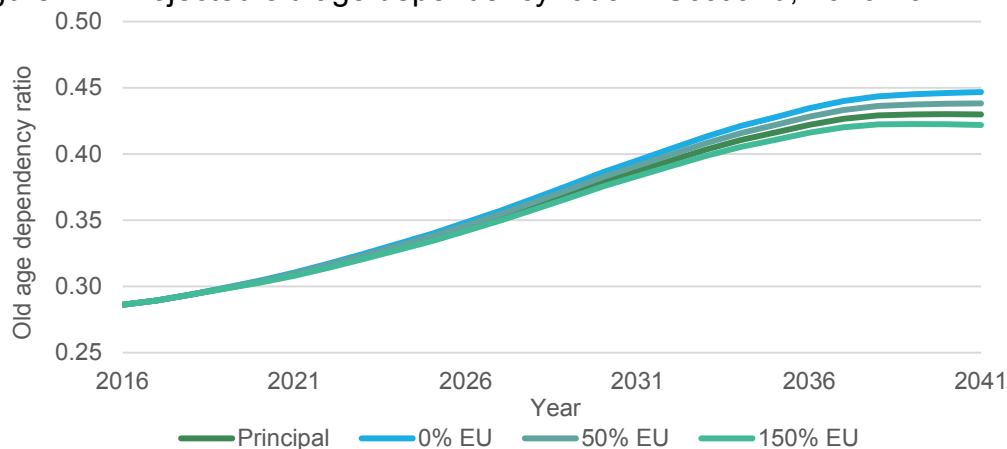


Figure A5: Projected relative change of individuals aged 16-64 in Scotland, 2016-2041.

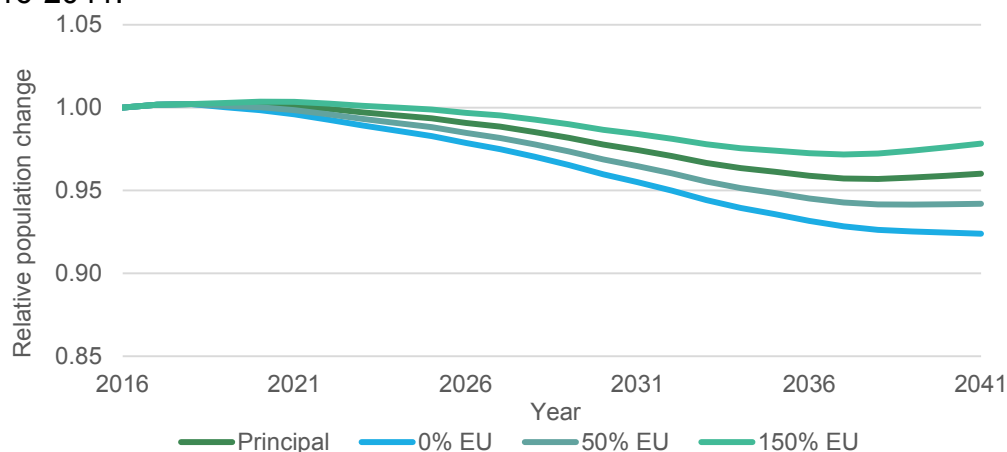


Figure A6: Projected ratio of population aged 16-44 to aged 45-64 in Scotland, 2016-2041.

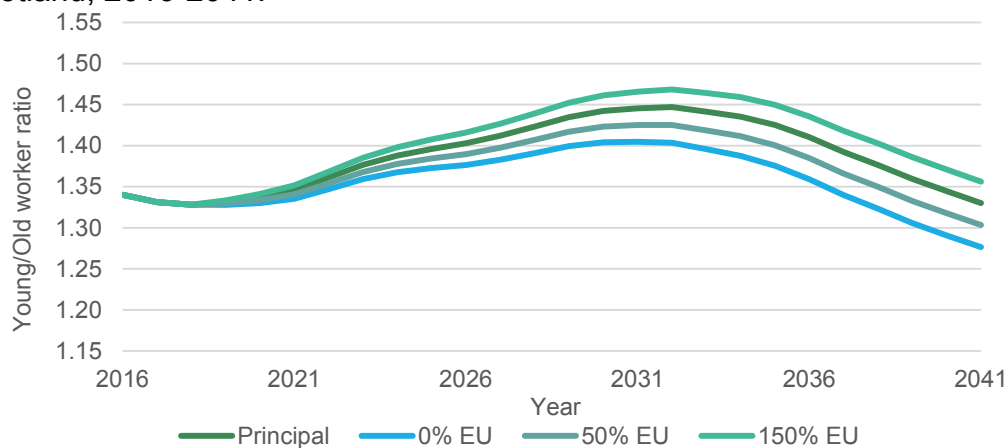
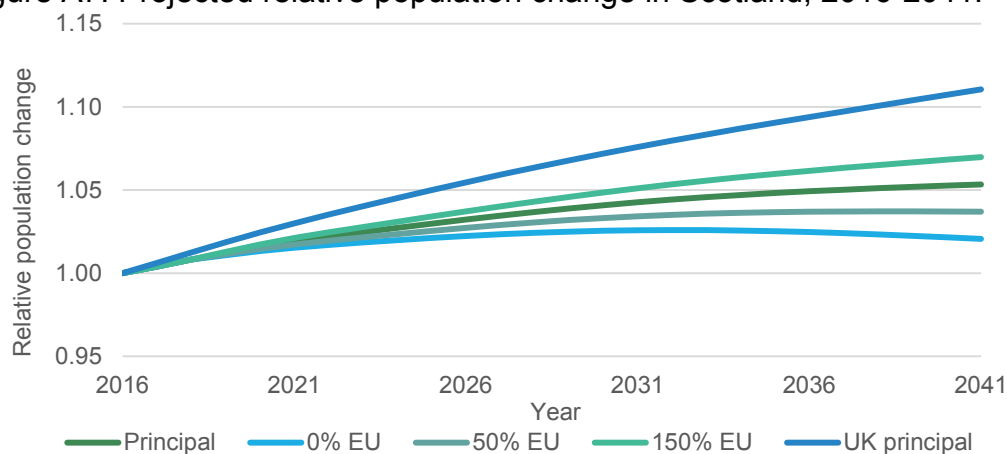


Figure A7: Projected relative population change in Scotland, 2016-2041.



Annex B

Abbreviations

APS	Annual Population Survey
ASHE	Annual Survey of Hours and Earnings
BAME	Black and Minority Ethnic
COSLA	Convention of Scottish Local Authorities
EEA	European Economic Area
ESOL	English as a Second or Other Language
EU	European Union
GDP	Gross Domestic Product
HMRC	Her Majesty's Revenue and Customs
ILO	International Labour Organisation
IPS	International Passenger Survey
LFS	Labour Force Survey
MAC	Migration Advisory Committee
MEAD	Minority Ethnic Access Development
NHS	National Health Service
NI	National Insurance
NINO	National Insurance Number
NRS	National Records of Scotland
ONS	Office of National Statistics
OS	Ordnance Survey
PhD	Doctor of Philosophy
PKAVS	Perth and Kinross Association of Voluntary Service
RESAS	Rural and Environment Science and Analytical Services
RQF	Regulated Qualifications Framework
rUK	Rest of the UK
SAWS	Seasonal Agricultural Workers Scheme
SOL	Shortage Occupation List
SRUC	Scotland's Rural College
TCFR	Total Cohort Fertility Rate
TFR	Total Fertility Rate
UK	United Kingdom
UNECE	United Nations Economic Commission for Europe
VAT	Value-Added Tax
WAP	Working Age Population

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- ³ The net migration rate has been calculated as follows: $NMR_{t, t+1} = NM_{t, t+1} / P_t * 1000$, where $NM_{t, t+1}$ is the difference between in- and out migration between t and t+1 and P_t is the risk population at t. The rate has thus been calculated using beginning-of-period population.
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